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Christensen, Temesha R.

Monterey, CA; Naval Postgraduate School

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# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **THESIS**

**CHANGING TIDES OR ADAPTIVE DRIFT? AN ANALYSIS OF  
SOUTHEAST ASIA AND THE INFLUENCE OF THE  
PEOPLE'S REPUBLIC OF CHINA**

by

Temesha R. Christensen

December 2020

Thesis Advisor:  
Second Reader:

Douglas A. Borer  
Covell F. Meyskens

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**CHANGING TIDES OR ADAPTIVE DRIFT? AN ANALYSIS OF SOUTHEAST  
ASIA AND THE INFLUENCE OF THE PEOPLE'S REPUBLIC OF CHINA**

Temesha R. Christensen  
Major, United States Air Force  
BA, North Carolina Central University, 2007  
MA, Northcentral University, 2012

Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF SCIENCE IN DEFENSE ANALYSIS  
(IRREGULAR WARFARE)**

from the

**NAVAL POSTGRADUATE SCHOOL  
December 2020**

Approved by: Douglas A. Borer  
Advisor

Covell F. Meyskens  
Second Reader

Douglas A. Borer  
Chair, Department of Defense Analysis

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## **ABSTRACT**

As the People's Republic of China (PRC) has increasingly expanded its economic influence in the Asia-Pacific region, Southeast Asia has specifically become one of the PRC's regional focus areas. The PRC has emphasized increasing political relationships and economic partnerships with Southeast Asian countries. Currently, the U.S. government lacks a quantitative assessment that measures the PRC's influence in the region by assessing the behaviors of the countries in Southeast Asia. This investigation seeks to identify if the PRC's economic investment in Southeast Asia is influencing measurable behavior. To analyze the PRC's influence, this research uses votes from the United Nations General Assembly and economic investment data to assess the relationship between the behaviors of Southeast Asian countries and the PRC's economic investment. The quantitative analysis of these factors finds that alignment with the PRC is stronger in poor countries when the trade balance is in the PRC's favor; however, under the same condition in richer countries, alignment with the PRC declines. Additionally, in the absence of aid (including loans and grants), the Belt and Road Initiative (BRI) has a negative effect; however, when there is high investment in both the BRI and aid, there is a strong alignment with the PRC.



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## **LIST OF ACRONYMS AND ABBREVIATIONS**

AIIB	Asian Infrastructure Investment Bank
AIC	Akaike Information Criterion
ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
CAFTA	China-ASEAN Free Trade Area
CGIT	China Global Investment Tracker
EEZ	exclusive economic zone
FDI	foreign direct investment
GDP	gross domestic product
GPC	great power competition
HSR	high-speed railway
MSR	Maritime Silk Road
NSS	National Security Strategy
PLA	People's Liberation Army
PRC	People's Republic of China
SREB	Silk Road Economic Belt
TPP	Trans-Pacific Partnership
UNCLOS	United Nations Convention for the Law of the Sea
UNGA	United Nations General Assembly
USD	U.S. dollar
WTO	World Trade Organization



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## **EXECUTIVE SUMMARY**

### **A. BACKGROUND**

The U.S. National Defense Strategy acknowledges the efforts of the People's Republic of China (PRC) to utilize its growing economic power and military modernization to gain hegemony in the Indo-Pacific region.<sup>1</sup> This signifies potential security challenges for the United States. As the PRC has shifted from indirect to direct competition with the United States, it is clear that the PRC is interested in changing the status quo of the international order to one that is more suitable for its authoritarian government. The relationship between the United States and the PRC has further deteriorated from the PRC's cyber-attacks and intellectual property theft against the United States, to a public trade war and commercial and political competition across the globe. The current state of the relationship between these two powers has influenced scholarly, political and military interest in the re-emergence of great power competition and the employment of national power.

The PRC achieving regional hegemony in the Indo-Pacific region is the most immediate concern and has the potential to disrupt U.S. interests in Southeast Asia. For this reason, I examined what the measurable behavior of Southeast Asian countries indicates about the influence of the PRC within the region.

### **B. PROBLEM**

The PRC has shown significant interests in Southeast Asia and has increased its economic partnerships there through trade and economic investment. Although economic investment is beneficial, several countries within the region have displayed mixed responses to the PRC's growing influence. The majority express wariness of the PRC converting economic power to political power and forcing them to make undesirable concessions. If this conversion of power were to materialize, it could disrupt key security

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<sup>1</sup> Department of Defense, *Summary of the 2018 National Defense Strategy of the United States of America* (Washington, D.C: Department of Defense, 2018), <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>.

alliances, partnerships and collaboration efforts that the United States shares with countries in Southeast Asia.

### **C. RESEARCH QUESTION**

To identify if the economic influence of the PRC is influencing the behaviors of Southeast Asian countries, I analyzed their United Nations General Assembly (UNGA) voting alignment and the primary mechanisms of regional economic investment. Through the investigation of these factors I sought to answer the question: What does a quantitative analysis of the behaviors of Southeast Asian countries indicate about the influence of the PRC's economic investment within the region?

### **D. METHODOLOGY**

To investigate this question, I developed three hypotheses for quantitative assessment. A regression analysis was conducted to examine the relationship between the PRC's economic investment in Southeast Asia and the measurable behavior of Southeast Asian countries. Utilizing UNGA votes as the dependent variable, a mathematical model was constructed that included variables that have the potential to influence the behavior of Southeast Asian countries. The independent variables included: Trade Total, Trade Balance, BRI Investment, Foreign Direct Investment, and Aid (including loans and grants); and the control variables are Polity and GDP.

### **E. SUMMARY OF KEY FINDINGS**

The statistical analysis of these two relationships finds that vote alignment with the PRC is stronger in poor countries when the trade balance is in the PRC's favor; however, in richer countries the PRC's influence declines. Additionally, in the absence of Aid, Loans and Grants, the Belt and Road Initiative has a negative effect; however, when there is high investment in both the Belt and Road Initiative (BRI) and Aid, Loans and Grants, there is a strong alignment with the PRC.

## **ACKNOWLEDGMENTS**

I would like to thank the professors in the Departments of Defense Analysis and National Security Affairs for the support they provided me in this academic endeavor. I especially thank Dr. Doug Borer, Dr. Covell Meyskens, Dr. Michael Malley, and Dr. Camber Warren for providing guidance as I conducted my thesis research and analysis.

I also extend my thanks and appreciation to my daughters, Camryn and Summer, for supporting me and understanding the amount of time and energy I dedicated to my thesis. I love you both. I hope this work serves as an example of tenacity, thoughtfulness, and diligence that will accompany you in future academic endeavors.

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## I. INTRODUCTION AND BACKGROUND

As the People's Republic of China (PRC) has gained more economic and political influence, the competition between the PRC and the United States has increased to a global scale. The primary area of competition has been in the Indo-Pacific region. The United States National Defense Strategy highlights the PRC's efforts to utilize its growing economic power and military modernization to gain hegemony in this region, which identifies potential security challenges for the United States.<sup>1</sup> Within the Indo-Pacific region, the PRC has shown significant interests in Southeast Asia and become the largest trading partner of the majority of the countries in the region, with trade totaling \$514.8 billion in 2017.<sup>2</sup> In addition to expanding its trade relations with these countries, the PRC has increasingly focused on enhancing security cooperation and establishing economic partnerships with countries in Southeast Asia.

As the relationship between the PRC and the United States has deteriorated and shifted from indirect to direct competition, it is clear that the PRC is interested in changing the regional power balance to one that is more suitable for its authoritarian government. The PRC has leveraged its economic power as the key instrument to expand its influence and to challenge the regional dominance of the United States. A significant expansion of PRC influence within Southeast Asia could disrupt key security alliances, partnerships and collaboration efforts that the United States shares with countries in Southeast Asia. If Michael Pillsbury's overall assertion in *The Hundred Year Marathon* is correct, perhaps a regional shift in power is one strategic goal in the PRC's master plan to unseat the United States as the global superpower.<sup>3</sup> This investigation sought to utilize quantitative methods to assess the validity of the PRC's grand plan as depicted by Pillsbury. Thus, in order to

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<sup>1</sup> Department of Defense, *Summary of the 2018 National Defense Strategy of the United States of America* (Washington, D.C: Department of Defense, 2018), <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>.

<sup>2</sup> Tuan Yuen Kong, "The Belt and Road Initiative in Southeast Asia and Responses from ASEAN Countries," *China: An International Journal* 17, no. 4 (November 2019): 24–33.

<sup>3</sup> Michael Pillsbury, *The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower* (New York: Henry Holt and Co., 2015).

determine whether the economic power of the PRC is influencing the behaviors of Southeast Asian countries, a quantitative study was conducted to analyze their United Nations General Assembly (UNGA) voting alignment and the PRC's primary mechanisms of economic investment in Southeast Asia.

#### **A. THE BELT AND ROAD INITIATIVE**

One of the PRC's primary mechanisms to establish partnerships in the region is to invest in large-scale infrastructure projects under its Belt and Road Initiative (BRI), shown in Figure 1. The BRI is one of the most ambitious infrastructure projects in history. It is an expansive infrastructure and trade development program that will connect Asia with Africa and Europe via land and sea corridors. The infrastructure projects will traverse the ancient Silk Road and connect some of the most anticipated economic development zones in the world.<sup>4</sup> The BRI is composed of two signature initiatives: the Silk Road Economic Belt (SREB) and the Maritime Silk Road (MSR). The SREB is land-based and will link the underdeveloped areas of the PRC to Central Asia and Europe.<sup>5</sup> The MSR will link the southern regions of the PRC to Southeast Asia via ports and railways.<sup>6</sup> The PRC has been fairly successful in garnering support for the initiative; since 2013 the BRI has expanded to include over 60 member countries, with a total cost to the PRC of approximately \$200 billion.<sup>7</sup>

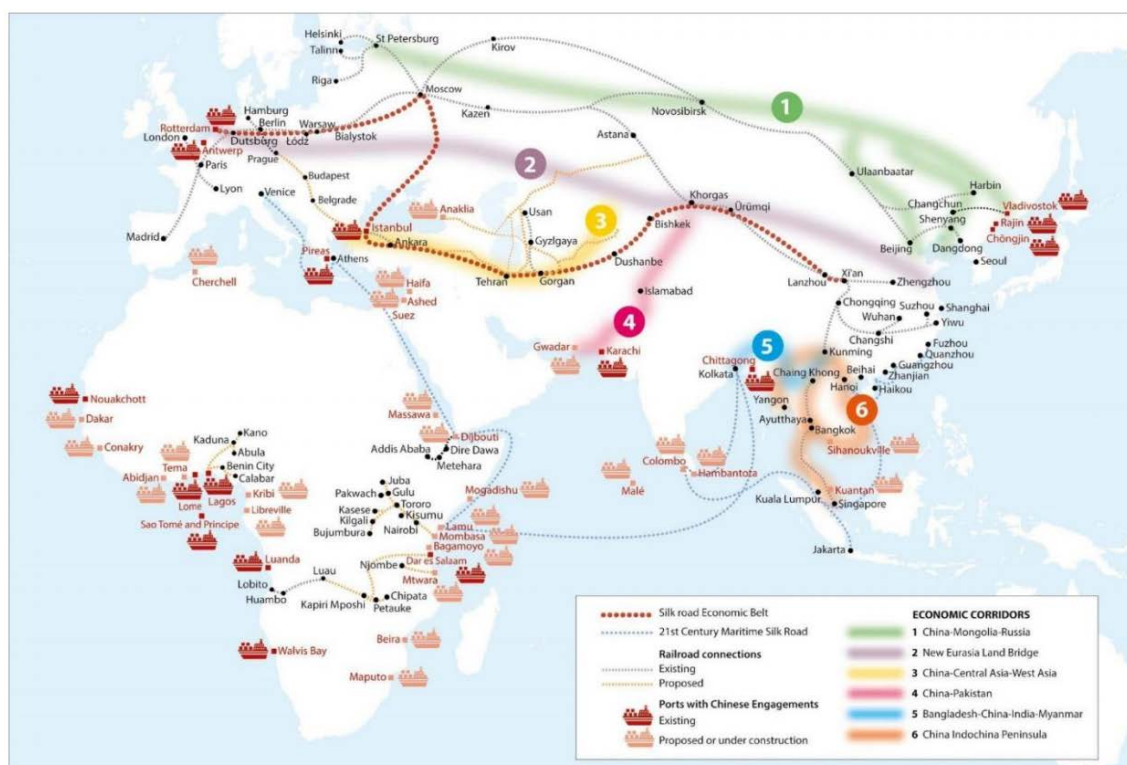
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<sup>4</sup> Yong Wang, "Offensive for Defensive: The Belt and Road Initiative and China's New Grand Strategy," *The Pacific Review* 29, no. 3 (May 26, 2016): 455–63, <https://doi.org/10.1080/09512748.2016.1154690>.

<sup>5</sup> Kong, "The Belt and Road Initiative in Southeast Asia."

<sup>6</sup> Peter Cai, "Understanding China's Belt and Road Initiative," Lowy Institute, March 22, 2017, <https://www.lowyinstitute.org/publications/understanding-belt-and-road-initiative>.

<sup>7</sup> Andrew Chatzky and James McBride, "China's Massive Belt and Road Initiative," Council on Foreign Relations, January 28, 2020, <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>.



Source: OECD research from multiple sources, including: HKTDC, MERICS, Belt and Road Center, Foreign Policy, The Diplomat, Silk Routes, State Council Information Office of the People's Republic of China, WWF Hong Kong (China).

Figure 1. Belt and Road Initiative<sup>8</sup>

The economic benefits of the BRI are appealing to countries along the BRI transport corridor because the initiative could improve trade, decrease poverty in participating nations, and create opportunities for foreign investment, which are often limited due to extended shipping periods.<sup>9</sup> Also, the construction of roads and transport links is expected to provide greater access to global markets, and expanded exports among participating countries. It is estimated that there will be significant real income gains in three Southeast Asian economies: Thailand (8.2 percent), Malaysia (7.7 percent) and Cambodia (5.0

<sup>8</sup> Source: Organisation for Economic Cooperation and Development, "The Belt and Road Initiative in the Global Trade, Investment and Finance Landscape," in *OECD Business and Finance Outlook 2018* (Paris: OECD Publishing, 2018), 11, [https://doi.org/10.1787/bus\\_fin\\_out-2018-6-en](https://doi.org/10.1787/bus_fin_out-2018-6-en).

<sup>9</sup> "Belt and Road Economics: Opportunities and Risks of Transport Corridors," World Bank, accessed March 13, 2020, <https://www.worldbank.org/en/topic/regional-integration/publication/belt-and-road-economics-opportunities-and-risks-of-transport-corridors>.



percent).<sup>10</sup> The World Bank has also assessed that “the increased trade and investment will boost GDP and welfare, thus reducing poverty in the region.”<sup>11</sup> It also estimates that 7.6 million people worldwide could be raised from extreme poverty if the BRI is completed.<sup>12</sup> Additionally, the large infrastructure and transport projects offer long-term development prospects that many participating countries are unable to provide alone. According to Asian Development Bank calculations, the Southeast Asia region will require approximately \$1.7 trillion in infrastructure investments between 2016 to 2030.<sup>13</sup>

Although the infrastructure upgrades and financial support to execute the projects are greatly needed throughout the region, the BRI has received mixed responses from Southeast Asian countries.<sup>14</sup> For example, the BRI provides competition with Japanese companies for infrastructure projects, which countries such as Laos and Cambodia welcome as a potential benefit to their economies. In contrast, the Philippines and Indonesia are more apprehensive about the overall competition of major powers in the region, especially between the PRC and the United States.<sup>15</sup> The majority of Southeast Asian countries have agreed to participate in BRI and continue to forge economic ties with the PRC; however, the countries are wary of the PRC converting economic influence into political power and forcing them to make undesirable concessions. Additionally, the PRC’s economic charm offensive and aggressive South China Sea actions are often viewed as indications of its revisionist ambition and the expectation that Southeast Asian states should tolerate its behavior.<sup>16</sup> This has influenced some Southeast Asian countries to deepen ties with multiple major powers in order to hedge against the potential threat from

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<sup>10</sup> World Bank, 57.

<sup>11</sup> World Bank, 45.

<sup>12</sup> World Bank, 59.

<sup>13</sup> Kong, “The Belt and Road Initiative in Southeast Asia,” 28.

<sup>14</sup> Kong, “The Belt and Road Initiative in Southeast Asia”; Hong Zhao, “China–Japan Compete for Infrastructure Investment in Southeast Asia: Geopolitical Rivalry or Healthy Competition?,” *Journal of Contemporary China* 28, no. 118 (July 4, 2019): 558–74, <https://doi.org/10.1080/10670564.2018.1557946>.

<sup>15</sup> Zhao, “China–Japan Compete for Infrastructure Investment,” 559.

<sup>16</sup> Gong Xue, “The Belt & Road Initiative and China’s Influence in Southeast Asia,” *The Pacific Review* 32, no. 4 (July 4, 2019): 635–65, <https://doi.org/10.1080/09512748.2018.1513950>.

a more powerful PRC in the future.<sup>17</sup> Furthermore, some nations in the region have expressed a preference for U.S. dominance as the United States primarily employs soft power and diplomatic cooperation.<sup>18</sup>

It is widely accepted that the PRC's motivations for implementing the BRI are both economic and geopolitical. The BRI includes five areas of cooperation: policy dialogue, infrastructure connectivity, unimpeded trade, financial support and people-to-people exchange.<sup>19</sup> The BRI provides the PRC not only an avenue for economic growth, but also an opportunity to impact the international economic system by challenging the Western-influenced World Bank and International Monetary Fund by financing projects through the Asian Infrastructure Investment Bank (AIIB).<sup>20</sup> The AIIB also rivals the Asian Development Bank, which is led by Japan and strongly supported by the United States.<sup>21</sup> The PRC's ability to expand its economic influence through the AIIB challenges the current international economic system, which is dominated by the United States and the U.S. dollar. It is in the PRC's interest to influence the international economic systems to align them with its own strategic objectives, which are often in direct competition with the United States. Garnering more influence in international economic systems will enable the PRC to implement changes that facilitate its rise.

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<sup>17</sup> Jürgen Haacke, "The Concept of Hedging and Its Application to Southeast Asia: A Critique and a Proposal for a Modified Conceptual and Methodological Framework," *International Relations of the Asia-Pacific* 19, no. 3 (September 1, 2019): 375–417, <https://doi.org/10.1093/irap/lcz010>; Ann Marie Murphy, "Great Power Rivalries, Domestic Politics and Southeast Asian Foreign Policy: Exploring the Linkages," *Asian Security* 13, no. 3 (September 2, 2017): 165–82, <https://doi.org/10.1080/14799855.2017.1354566>.

<sup>18</sup> Xue, "The Belt & Road Initiative."

<sup>19</sup> Yiping Huang, "Understanding China's Belt & Road Initiative: Motivation, Framework and Assessment," *China Economic Review*, no. 40 (2016): 314–21.

<sup>20</sup> Huang.

<sup>21</sup> David B. H. (ed) Denoon, Marvin Ott, and Chu Shulong, *China, The United States, and the Future of Southeast Asia: U.S.-China Relations*, vol. II (New York, NY: New York University Press, 2017), <http://muse.jhu.edu/book/56534/>.

## **B. GEOGRAPHICAL IMPORTANCE OF SOUTHEAST ASIA**

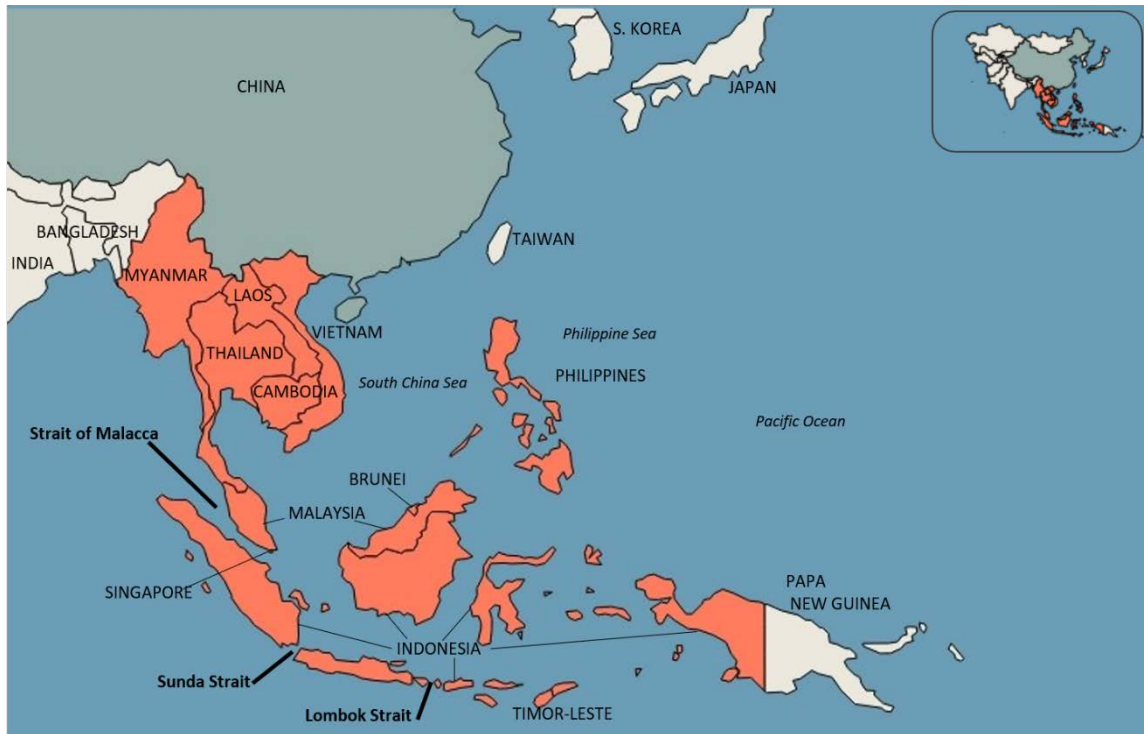
Southeast Asia is geographically important as the Strait of Malacca, which is bordered by Malaysia and Indonesia, and connects to the Singapore Strait as shown in Figure 2, is one of the most active trade routes in the world. It is estimated that “approximately 50,000 vessels ferrying 40 percent of the world’s merchandise trade and 25 percent of all oil shipments carried by sea annually” pass through the Strait of Malacca.<sup>22</sup> Additionally, the unimpeded operation of the Strait of Malacca trade routes is vital to key U.S. allies in the Asia Pacific region, as many countries within Asia are energy dependent. As the strait is the region’s primary trade route, instability or conflict in the region would significantly impact the ability for key allies to obtain vital resources. Approximately 80 percent of the PRC’s oil imports traverse the Strait of Malacca, and as an U.S. ally, Singapore’s entryway to the strait could be used by the United States as a choke point.<sup>23</sup> Obtaining influence over the Strait of Malacca will remain a key security objective for the PRC until it is able to diversify its trade routes to obtain energy resources.<sup>24</sup>

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<sup>22</sup> David Shambaugh, “U.S.-China Rivalry in Southeast Asia: Power Shift or Competitive Coexistence?,” *International Security* 42, no. 04 (2018): 85–127.

<sup>23</sup> Ana Singh, “The Malacca Dilemma: A Hindrance to Chinese Ambitions in the 21st Century – Berkeley Political Review,” Berkeley Political Review, August 26, 2019, <https://bpr.berkeley.edu/2019/08/26/the-malacca-dilemma-a-hindrance-to-chinese-ambitions-in-the-21st-century/>.

<sup>24</sup> Singh.



Created with Visme map generator.

Figure 2. Key Maritime Straits of Southeast Asia

### C. IMPORTANCE OF SOUTHEAST ASIA TO THE PRC

In addition to security interests, the PRC has both economic and geopolitical interests in Southeast Asia. Since 2012, the PRC has been navigating the effects of a slowing economy that has contributed to political and social instability within the PRC.<sup>25</sup> Part of the PRC's strategy to mitigate the slowing economy has been to improve its relationships in Asia. The PRC has specifically identified countries within Southeast Asia as strategic partners to increase regional diplomacy and economic cooperation, and participate in core elements of the BRI.<sup>26</sup> For example, Singapore has played a key role in BRI planning, financing and logistics, while serving as a financial hub for PRC access to other countries within Southeast Asia.<sup>27</sup> It is estimated that 60% of Southeast Asia's

<sup>25</sup> Wang, "Offensive for Defensive."

<sup>26</sup> Zhao, "China-Japan Compete for Infrastructure Investment."

<sup>27</sup> Sarah Chan, "Singapore-China Connectivity and Its Role in the Belt and Road Initiative," *China: An International Journal* 17, no. 4, November 2019, 39.

infrastructure initiatives receive financial and advisory services from financial institutions in Singapore.<sup>28</sup> The favorable international reputation and transparent business practices of Singapore are a valuable element for securing investment, and promoting and developing PRC projects such as the BRI. Furthermore in 2019 Singapore and PRC defense ministries agreed to increase their bilateral engagements and security cooperation through activities such as maritime exercises that were set to begin in 2020.<sup>29</sup>

A significant growth in trade between the PRC and Southeast Asia has resulted in the region becoming the “third largest trade partner of the PRC, the fourth largest foreign market and the second largest source of imports.”<sup>30</sup> Furthermore, the PRC views Southeast Asian countries as strategic partners because the countries collectively engage in multilateral forums such as the Association of Southeast Asian Nations (ASEAN) and the East Asia Summit.<sup>31</sup> In 2016, the PRC recommended that the ASEAN Connectivity Master Plan and BRI be collaborative in order to increase prosperity in the region.<sup>32</sup> Increasing the number of bilateral infrastructure projects between the PRC and ASEAN countries at this magnitude could further expand financial interconnectedness and policy coordination between ASEAN nations and the PRC.

The PRC also views Southeast Asia as a prime location to export its domestic industries such as coal and steel that are over capacity.<sup>33</sup> The BRI has been identified as a platform to move the production of these industries, allowing Chinese workers to remain employed and decrease production within the PRC.<sup>34</sup> Additionally, as projects such as railways are often designed and led by Chinese personnel, the PRC can use the BRI as a

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<sup>28</sup> Hong Liu, Xin Fan, and Guanie Lim, “Singapore Engages the Belt and Road Initiative: Perceptions, Policies, and Institutions,” *The Singapore Economic Review*, May 15, 2020, 8, <https://doi.org/10.1142/S0217590820410015>.

<sup>29</sup> Aqil Haziq Mahmud, “Singapore, China to Boost Defence Cooperation, Engage in Larger Military Exercises,” CNA, May 29, 2019. <https://www.channelnewsasia.com/news/singapore/singapore-china-boost-defence-cooperation-military-exercises-11576402>.

<sup>30</sup> Denoon, Ott, and Shulong, *China, The United States, and the Future of Southeast Asia*.

<sup>31</sup> Xue, “The Belt & Road Initiative.”

<sup>32</sup> Zhao, “China–Japan Compete for Infrastructure Investment.”

<sup>33</sup> Kong, “The Belt and Road Initiative in Southeast Asia.”

<sup>34</sup> Kong.

mechanism to export its engineering and technical standards. Exporting the standards could contribute to Chinese companies receiving subsequent contracts due to compatibility issues with the technology standards of competing countries such as Japan.

#### **D. IMPORTANCE OF SOUTHEAST ASIA TO THE UNITED STATES**

For the United States, continued access to Southeast Asia and cooperation with nations in the region are vital to its security and trade interests. The continued autonomy of the countries and institutions within Southeast Asia enables open trade with U.S. companies, military collaboration where feasible, and freedom of navigation in international waterways.<sup>35</sup> To address U.S. security concerns, the Trump administration has strengthened its alliances with Japan, Thailand and the Philippines, and enhanced security relationships with Vietnam, Indonesia, and Malaysia (see Figure 3).<sup>36</sup> For instance, Thailand is a vital enabler of U.S. military force projection, as it allows the U.S. Navy to utilize its deep-water port at Sattahip. It is important to note that although Thailand is a longstanding ally of the United States, the Sino-U.S. rivalry within the region has resulted in Thailand walking a tightrope while attempting to balance its security relationship with the United States, and its economic and political relationship with the PRC. As pointed out by Pongphisoot Busbarat, unlike the majority of other U.S. allies in Asia, Thailand has cooperated with the PRC on political and economic issues at the expense of U.S. interests.<sup>37</sup> The United States and the Philippines are also longstanding security partners, they conduct joint military exercises on a regular basis and the United States provides military aide and training to the Philippine Army. Additionally, the U.S.-Singapore partnership has been reaffirmed, as Singapore continues to provide port access

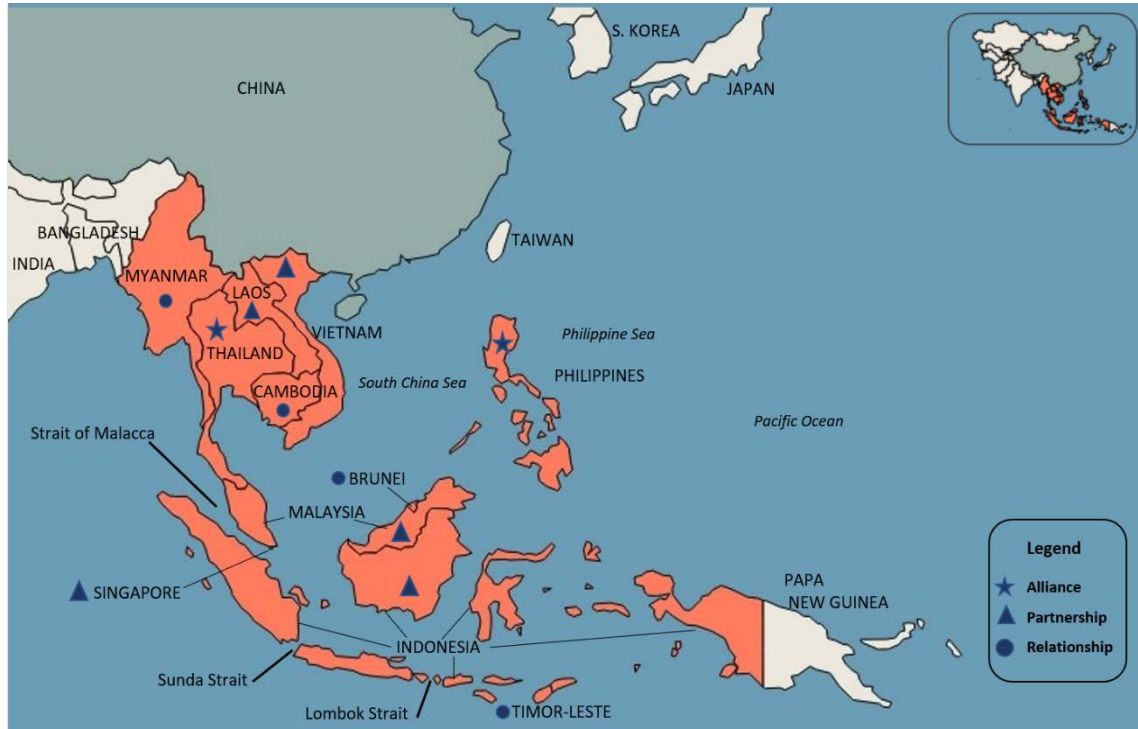
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<sup>35</sup> Denoon, Ott, and Shulong, *China, The United States, and the Future of Southeast Asia*.

<sup>36</sup> Michael Pillsbury, “The Trump Administration’s Indo-Pacific Strategy,” in *The Struggle for Power: U.S.-China Relations in the 21st Century*, ed. Leah Bitounis and Jonathon Price (Washington, D.C: The Aspen Institute, 2020), 32–35.

<sup>37</sup> Pongphisoot Busbarat, “‘Bamboo Swirling in the Wind’: Thailand’s Foreign Policy Imbalance between China and the United States,” *Contemporary Southeast Asia* 38 (2016): 233, 238.

to the U.S. Navy and collaborates with the U.S. military to support the security of Southeast Asia and ensure a free and unimpeded Indo-Pacific.<sup>38</sup>



Created with Visme map generator.

Figure 3. U.S. Bilateral Relations in Southeast Asia<sup>39</sup>

The United States is also proactively engaged in multilateral institutions within the region such as ASEAN. The United States has been involved with ASEAN member countries since 1977, and they have worked together in various areas such as economic integration, military assistance, transnational issues and maritime cooperation.<sup>40</sup> A testament to U.S. regional commitment, the United States provided \$342 million in foreign

<sup>38</sup> “U.S. Relations with Singapore,” United States Department of State, December 2, 2019, <https://www.state.gov/u-s-relations-with-singapore/>.

<sup>39</sup> Adapted from: United States Department of State, “Bureau of East Asian and Pacific Affairs,” United States Department of State, accessed November 5, 2020, <https://www.state.gov/bureaus-offices/under-secretary-for-political-affairs/bureau-of-east-asian-and-pacific-affairs/>.

<sup>40</sup> “History of the U.S. and ASEAN Relations,” U.S. Mission to ASEAN, accessed February 10, 2020, <https://asean.usmission.gov/our-relationship/policy-history/usasean/>.

aid to the Philippines in 2019, and has increased its cooperation with Vietnam and Indonesia as part of the United States' and ASEAN's goal of preserving stability in the region.<sup>41</sup>

The alliances and partnerships that the United States maintains in Southeast Asia are an integral part of maintaining U.S. influence in the Indo-Pacific. Similarly, the PRC is actively attempting to increase its influence within Southeast Asia. This analysis will investigate if the PRC's economic investment is influencing the behavior of Southeast Asian countries. The nations within the region are politically, culturally and economically diverse, which presents an opportunity to analyze the behavior of a variety of nations within the same region, under simultaneous influence of multiple great powers. For example, noteworthy shifts in the region have started to occur, such as the communist nation of Vietnam increasing cooperation with the United States, and the democratic nation of the Philippines fostering closer ties to the PRC. Additionally, identifying the drivers of Southeast Asian nations' responses to the BRI may provide information regarding potential power changes between the PRC and the United States. Furthermore, it may provide insight into how the United States can counter the PRC's influence and sustain U.S. influence within the region.

This thesis seeks to determine under what conditions, if any, does the economic investment of the PRC influence the behaviors of Southeast Asian countries? The initial step in understanding the PRC's economic relationships and influence within the region is to conduct a literature review of relevant information.

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<sup>41</sup> Scott Harold et al., *The Thickening Web of Asian Security Cooperation: Deepening Defense Ties Among U.S. Allies and Partners in the Indo-Pacific* (Santa Monica, CA: RAND Corporation, 2019), [https://www.rand.org/pubs/research\\_reports/RR3125.html](https://www.rand.org/pubs/research_reports/RR3125.html); "U.S. Foreign Aid by Country," U.S. Agency for International Development, last modified April 23, 2020, <https://explorer.usaid.gov/cd>.



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## **II. LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

A significant amount of research has been conducted that analyzes the influence of the PRC and great power competition (GPC) within Southeast Asia. A large amount of information concerning the PRC's influence focuses on its economic influence, which has recently expanded under the BRI. The preponderance of arguments views the PRC's motivations for establishing the BRI as a method to gain geopolitical influence. Overall this view regards the BRI as a means for the PRC to change the dominance of U.S. influence in the Indo-Pacific region and reassert itself as the hegemon.<sup>42</sup> However, a smaller portion of literature argues that the PRC's motivations are economically focused and suggests that the BRI is a means for the PRC to increase its economic influence, and is not heavily influenced by political or security objectives.<sup>43</sup> Overall, the schools of thought concerning GPC largely agree that competition will continue to intensify within the region due to the security concerns, and economic competitiveness between major powers such as the United States, the PRC and Japan. However, the discussions about the intentions of the PRC are ongoing, and will likely be debated for the immediate future.

Although limited in scale when compared to GPC and influence, over the last several years, research has been conducted that assesses how Southeast Asian countries are responding to the PRC's regional influence. The behavior of the majority of nations in the region is characterized as mixed or ambiguous, while Cambodia appears to be clearly aligned with the PRC, and the Philippines is increasingly becoming more aligned with the PRC. One of the reasons that some countries in the region are swaying towards the PRC is the potential for the BRI to provide substantial economic gains due to increased trade and enhanced access to global markets. However, some scholars argue that the BRI is a debt

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<sup>42</sup> Huang, "Understanding China's Belt & Road Initiative."

<sup>43</sup> Xue, "The Belt & Road Initiative."

trap for financially constrained countries.<sup>44</sup> Another concern that scholars highlight is that the political and economic factors that are intertwined with the BRI will enable the PRC to exploit the varying interests of ASEAN countries and degrade cooperation within the organization.<sup>45</sup> As ASEAN countries expand their political and economic relationships with the PRC for short-term benefits, they attempt to mitigate the aforementioned concerns by establishing fall back strategies in the event that the relationships prove to be troubling in the future.<sup>46</sup>

#### **A. SYNOPSIS: EVOLUTION OF PRC-ASEAN ECONOMIC RELATIONSHIP**

In 1978, the PRC established a national policy to promote reform and openness, which led to a gradual increase in its economic relationships, with an emphasis on international multilateral trade.<sup>47</sup> The PRC was granted membership in the World Trade Organization (WTO) in 2001, which would eventually elevate its trade value.<sup>48</sup> However, after initially obtaining WTO membership, the PRC encountered some resistance that prevented it from gaining full access to all trade markets. As a result, the PRC refocused its economic strategy on regional economic cooperation. The PRC and ASEAN endorsed the Framework Agreement on Comprehensive Economic Cooperation in 2002, which allowed ASEAN and the PRC to engage in further negotiations, and resulted in the 2010 establishment of the China-ASEAN Free Trade Area (CAFTA).<sup>49</sup> This agreement

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<sup>44</sup> Kurita Masahiro, "The Belt and Road Initiative and South Asia: Increasing Uncertainty in Sino-Indian Relations," in *NIDS China Security Report 2019: China's Strategy for Reshaping the Asian Order and Its Ramifications* (Japan: National Institute for Defense Studies, 2019), 58, [http://www.nids.mod.go.jp/publication/chinareport/pdf/china\\_report\\_EN\\_web\\_2019\\_A01.pdf](http://www.nids.mod.go.jp/publication/chinareport/pdf/china_report_EN_web_2019_A01.pdf); Chatzky and McBride, "China's Massive Belt and Road Initiative"; Kong, "The Belt and Road Initiative in Southeast Asia."

<sup>45</sup> Huong Le Thu, "China's Dual Strategy of Coercion and Inducement towards ASEAN," *The Pacific Review* 32, no. 1 (January 2, 2019): 20–36, <https://doi.org/10.1080/09512748.2017.1417325>; Ian Storey, *ASEAN and the Rise of China* (London and New York: Routledge, 2013); Ernest Bower, "China Reveals Its Hand on ASEAN in Phnom Penh," CSIS, July 20, 2012, <https://www.csis.org/analysis/china-reveals-its-hand-asean-phnom-penh>.

<sup>46</sup> Cheng-Chwee Kuik, "How Do Weaker States Hedge? Unpacking ASEAN States' Alignment Behavior towards China," *Journal of Contemporary China* 25, no. 100 (July 3, 2016): 500–514, <https://doi.org/10.1080/10670564.2015.1132714>.

<sup>47</sup> Wang Liqin, "Competitive or Complementary?: China's Role in Trade Cooperation with ASEAN in the 1990s and 2000s," *China: An International Journal* 10, no. 3 (2012): 66.

<sup>48</sup> Liqin, 69.

<sup>49</sup> Liqin, 69.

supported the PRC's foreign policy objectives of increasing cooperation in East Asia and elevating the PRC's regional status. The access to ASEAN countries through the CAFTA also provided the PRC the opportunity to focus on bilateral cooperation. Additionally, the CAFTA served as an entry point for countries in Southeast Asia to gain access to the PRC's large consumer market and draw more foreign direct investment.<sup>50</sup>

In addition to investment and trade, Liqin notes that the PRC and ASEAN have committed to economic cooperation in "agriculture, information and communications technology, human resources development, investment and Mekong River basin development."<sup>51</sup> While these partnerships have helped advance the development of ASEAN countries, there have been some negative financial drawbacks. For example, since 2012 the PRC has slowly reversed its trade deficit with ASEAN to a trade surplus. The PRC's exports to Southeast Asia grew from \$106 billion in 2009 to \$292 billion in 2016, and its imports from Southeast Asia increased from \$106 billion to \$183 billion.<sup>52</sup> While Southeast Asian imports to the PRC did increase, their import growth is no comparison to the major trade surplus that the PRC achieved. The asymmetry of the economic relationship between the PRC and Southeast Asia has dramatically shifted in the PRC's favor.

## **B. GREAT POWER COMPETITION**

The PRC's exponential rise has contributed to the reemergence of great power competition in the Indo-Pacific Region. The PRC has claimed a peaceful rise and has not outright reasserted a desire to dominate the region; however, as stated by David Shambaugh, the rivalry between the United States and the PRC "extends to the geostrategic, geoeconomic, geopolitical, military, cultural, scientific, technological, innovation, and many other domains."<sup>53</sup> In President Xi Jinping's address at the Chinese

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<sup>50</sup> Khai Leong Ho, "ASEAN+1 or China+1? Regionalism and Regime Interests in ASEAN-China Relations," in *China and Southeast Asia: Global Changes and Regional Challenges*, ed. Khai Leong Ho and Samuel C. Y. Ku (Singapore: Institute of Southeast Asian Studies, 2005), 195–210.

<sup>51</sup> Min-Hua Chiang, "China-ASEAN Economic Relations after Establishment of Free Trade Area," *The Pacific Review* 32, no. 3 (May 4, 2019): 275, <https://doi.org/10.1080/09512748.2018.1470555>.

<sup>52</sup> Chiang, 276.

<sup>53</sup> Shambaugh, "U.S.-China Rivalry in Southeast Asia," 85.

Communist Party's 19<sup>th</sup> National Congress in 2017, he announced that “China had begun a new era of confidence and capability as it moved closer to the world's center stage.”<sup>54</sup> Xi went even further by declaring that “China would increase its efforts to change the international order, build a world-class military, and act as a political and economic model for others to emulate.”<sup>55</sup> The PRC's efforts to surpass other influential countries are evident, as the PRC has been increasingly competitive in specific areas such as industrial capacity, military modernization, technological advancement and economic support, which have previously been led by the United States and Japan.<sup>56</sup> Overall, the BRI has been established as President Xi's flagship initiative to expand the PRC's influence on the regional and international stage. In the U.S. 2017 National Security Strategy (NSS), the Trump administration highlighted that the PRC's infrastructure investments reinforce its geopolitical aspirations.<sup>57</sup> The NSS also directly categorized Chinese regional dominance as a threat to the sovereignty of many countries within the region.<sup>58</sup>

The PRC's increased economic power and influence facilitated the establishment of the BRI, which may provide the PRC with a platform to gain more influence in Asia and strategically outmaneuver the United States.<sup>59</sup> As one of the most diverse and rapidly growing regions in the world, Southeast Asia has the potential to aid the PRC by bolstering the PRC's economic influence in the region.<sup>60</sup> A significant number of countries within Southeast Asia have already agreed to participate in the BRI, and formed closer economic ties to the PRC, and this may contribute to increasing the PRC's power in the region and

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<sup>54</sup> U.S. Congress, *2018 Report to Congress of the U.S.-China Economic and Security Review Commission* (Washington, D.C: 115th Congress, 2d sess, 2018), <https://www.uscc.gov/annual-report/2018-annual-report-congress>.

<sup>55</sup> U.S. Congress.

<sup>56</sup> Pillsbury, “The Trump Administration's Indo-Pacific Strategy”; Zhao, “China–Japan Compete for Infrastructure Investment.”

<sup>57</sup> White House, *National Security Strategy of the United States of America* (Washington, D.C: White House, 2017), <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

<sup>58</sup> White House.

<sup>59</sup> Wang, “Offensive for Defensive.”

<sup>60</sup> “History of the U.S. and ASEAN Relations.” U.S. Department of State. <https://asean.usmission.gov/our-relationship/policy-history/usasean>

decreasing the United States' power. Although the PRC has attained significant economic influence regionally and globally, it is a common argument that the PRC's influence will not change the status quo order. In Southeast Asia specifically, Xue Gong identifies three predominant limitations that prevent the PRC from replacing the United States as the dominant actor in the region: "(a) many regional states' preference for U.S. dominance, (b) rivalry from Japan, India, and other major powers and ASEAN centrality, and (c) the PRC's assertive South China Sea policy."<sup>61</sup>

Japan, an established power within the Indo-Pacific region, provides Southeast Asian countries another alternative to the PRC. The relationship between Japan and the PRC has included mutually beneficial cooperation when necessary, but since the establishment of the BRI, it has been characterized by aggressive competition. Japan has a well-established history of providing quality infrastructure in the region, which naturally positions the BRI as a direct competitor of Japan's commercial interests. Shortly after the establishment of the BRI, Japan instituted the Expanded Partnership for Quality Infrastructure and has pledged to allocate approximately \$200 billion between 2016 and 2021 to support infrastructure projects within Asia.<sup>62</sup> Japan has also advanced its commercial interests in the region, such as in 2016, when it entered a bilateral agreement with Thailand to develop a high-speed railway (HSR) shortly after Thailand cancelled its joint-financed HSR project with the PRC.<sup>63</sup> The Japanese-led HSR is part of a \$7B initiative to aid the infrastructure development of countries along the Mekong River, including Laos, Myanmar, Vietnam, Cambodia and Thailand. The relations between Japan and the PRC will likely remain fragile as Japan is a key ally of the United States and is viewed by the PRC as a participant in the U.S. strategy to contain the PRC's rise.<sup>64</sup>

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<sup>61</sup> Xue, "The Belt & Road Initiative and China's Influence in Southeast Asia," 638.

<sup>62</sup> World Bank, "Belt and Road Economics."

<sup>63</sup> Yang Jiang, "Competitive Partners in Development Financing: China and Japan Expanding Overseas Infrastructure Investment," *The Pacific Review* 32, no. 5 (September 3, 2019): 796, <https://doi.org/10.1080/09512748.2019.1569117>.

<sup>64</sup> Wang, "Offensive for Defensive," 458.

The rise of the PRC has presented the United States—the current dominant power in the region—with a strategic challenge of maintaining its regional influence. The Obama administration refocused on Asia in 2009 in order to sustain the current power balance.<sup>65</sup> At the strategic level, the United States has employed its four elements of national power—diplomatic, informational, military and economic—to sustain its influence. These powers have been used to engage with Asian countries and institutions to advance U.S. interests and are the foundation of U.S. alliances and partnerships. In regards to the PRC, the United States has primarily adopted a balancing strategy to deter the PRC from attempting to reassert itself as a regional hegemon.<sup>66</sup> Balancing strategies are characterized by a nation under threat attempting to deter its opponent, and dedicating a significant amount of resources to achieve that objective. A central component of the U.S. strategy has included increasing the military capacity of regional partners and allies, and improving multilateral interoperability among them.<sup>67</sup> In addition, the United States has enhanced its longstanding relationships in Asia by increasing economic and diplomatic engagements.

### C. SOFT POWER, HARD POWER AND SMART POWER

In Joseph Nye’s work, power is defined as “one’s ability to affect the behavior of others to get what it wants.”<sup>68</sup> Three common ways to exert power are coercion, payment and attraction. *Hard power* utilizes payment and coercion, and is typically related to tangibles such as money and force.<sup>69</sup> In contrast, *soft power*, a term introduced by Nye in 1990, is a source of influence that gets other countries to desire the same outcome as a

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<sup>65</sup> Wang; Nina Silove, “The Pivot before the Pivot: U.S. Strategy to Preserve the Power Balance in Asia,” *International Security* 40, no. 4 (May 10, 2016): 45–88.

<sup>66</sup> John J. Mearsheimer, *The Tragedy of Great Power Politics*, Reprint edition (New York, NY: W. W. Norton & Company, 2003); Silove, “The Pivot before the Pivot.”

<sup>67</sup> Silove, “The Pivot before the Pivot.”

<sup>68</sup> Joseph S. Nye, “Get Smart: Combining Hard and Soft Power,” *Foreign Affairs* (New York, N.Y.) 88, no. 4 (2009): 160–163.

<sup>69</sup> Joseph Nye, “Hard, Soft, and Smart Power,” in *The Oxford Book of Modern Diplomacy*, ed. Ramesh Thakur, Jorge Heine, and Andrew F. Cooper, vol. 1, Oxford Handbooks in Politics & International Relations (Oxford, England: Oxford University Press, 2013), 559–76, <https://doi.org/10.1093/oxfordhb/9780199588862.013.0031>.

particular country by leveraging enticement or attraction.<sup>70</sup> Nye describes the primary components of a nation's soft power as "its culture (when it is pleasing to others), its values (when they are attractive and consistently practiced), and its policies (when they are seen as inclusive and legitimate)."<sup>71</sup> In 2003, Nye developed the term *smart power*, which incorporates a combination of hard and soft power. Smart power was developed to oppose the idea that soft power can independently create effective foreign policy.<sup>72</sup> Successful national strategies typically include smart power.

In post-Cold War interactions with Southeast Asian countries, the United States has typically employed soft power and smart power, while the PRC has employed soft power or hard power. The United States' employment of soft power is primarily through diplomacy, economic assistance, and cooperation in multilateral organizations. The majority of the PRC's soft power activities in Southeast Asia include participation in multilateral forums, economic assistance, economic cooperation, and social and cultural exchanges.<sup>73</sup> Although the PRC has achieved some success through the promotion of economic support, increased political engagements and support to ASEAN, it has been unable to effectively employ smart power due to inconsistent applications of soft and hard power. This is unlike the United States who strategically employs smart power by combining military and economic power with support from organizations such as the United States Agency for International Development and non-governmental organizations.<sup>74</sup> Overall, the PRC's soft power within Southeast Asia is being degraded, and it is partially attributed to the People's Liberation Army's (PLA) hard power activities

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<sup>70</sup> Joseph Nye and Jisi Wang, "Hard Decisions on Soft Power: Opportunities and Difficulties for Chinese Soft Power," *Harvard International Review* Summer 2009, accessed May 6, 2020, <https://www.belfercenter.org/publication/hard-decisions-soft-power-opportunities-and-difficulties-chinese-soft-power>; Joseph Nye, "China's Soft and Sharp Power," *Project Syndicate*, January 4, 2018, <https://www.project-syndicate.org/commentary/china-soft-and-sharp-power-by-joseph-s--nye-2018-01>.

<sup>71</sup> Joseph S. Nye, "Get Smart."

<sup>72</sup> Joseph S. Nye.

<sup>73</sup> Mingjiang Li, "The People's Liberation Army and China's Smart Power Quandary in Southeast Asia," *Journal of Strategic Studies* 38, no. 3 (April 16, 2015): 359–82, <https://doi.org/10.1080/01402390.2014.1002910>.

<sup>74</sup> Joseph S. Nye, "Get Smart." ; Nye and Wang, "Hard Decisions on Soft Power," 19–20.



in the region.<sup>75</sup> There are several negative trends associated with the PLA's security activities. For example, multiple countries are displaying suspicion of Chinese intent because of PLA aggression within the region. Also, Southeast Asian countries are encouraging external powers such as Japan and the United States to provide support in the region.<sup>76</sup> Furthermore, several countries are diversifying their sources of external financial support instead of seeking primary economic assistance from the PRC.<sup>77</sup>

The PRC's inability to effectively employ smart power is problematic because a positive relationship with nations in Southeast Asia would demonstrate to the regional and international community that the PRC's rise is not a threat to smaller countries.<sup>78</sup> The PRC also shares significant economic and socio-cultural ties with Southeast Asia that must be sustained to increase the PRC's strategic influence in the Indo-Pacific region. Furthermore, in order to compete with the soft power efforts from the United States, the PRC must demonstrate that it can be a good neighbor to Asian countries. Some countries have indicated a preference for U.S. dominance within the region due to its primary use of soft power and diplomatic cooperation. This preference is an indication that economic power and BRI investment cannot solidify the PRC's position in the Indo-Pacific.

#### **D. STRATEGIC BEHAVIOR OF COUNTRIES IN SOUTHEAST ASIA**

Based on my analysis of the current literature, the contrasting views and interests of the United States and the PRC place Southeast Asian nations in a precarious position as they navigate relationships with both countries. They must carefully balance risk and reward as they determine in which areas to cooperate with or oppose the two powers. Currently within the region, the United States is widely recognized for its military power and diplomatic statecraft, while the PRC is recognized for its economic statecraft, and to a lesser degree its diplomatic statecraft. The variety of benefits that the two powers offer creates an environment where countries in Southeast Asia can be more selective when

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<sup>75</sup> Li, "The People's Liberation Army," 373–74.

<sup>76</sup> Li, 360.

<sup>77</sup> Zhao, "China–Japan Compete for Infrastructure Investment."

<sup>78</sup> Li, "The People's Liberation Army," 359.

engaging with the United States and the PRC. Basically, cooperation in one area does not equate to a strategic alignment, nor does opposition equate to a misalignment.<sup>79</sup> Navigating significant relationships with both of these countries simultaneously has the potential for high rewards in the short term but may prove to be a high-risk bet with losses in the long-term.<sup>80</sup> As the risks and rewards are weighed, there are three primary strategies that can be utilized to balance power within the region: balancing, hedging and bandwagoning.

### **1. Balancing**

Nations that enact a balancing strategy dedicate a significant amount of resources to attempt to contain the country that is a threat to them. Their behavior demonstrates that they are trying to deter the potential threat and are willing to fight the aggressor if they have to.<sup>81</sup> During the Cold War, the non-communist nations in Southeast Asia joined Western powers to balance against the expansion of communism. Unlike today, communist powers such as the PRC were seen as an imminent threat to weaker, non-communist countries in the region.<sup>82</sup> Currently, none of the countries in Southeast Asia are directly balancing against the PRC. Murphy attributes this to the financial incentives presented by the PRC, and to a lesser degree, the disincentives associated with the U.S. emphasis on human rights and democracy.<sup>83</sup> Vietnam's behavior towards the PRC is a partial exception, as it openly countered the PRC's military assertiveness during the height of the South China Sea dispute.<sup>84</sup>

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<sup>79</sup> Kuik, "How Do Weaker States Hedge?"; Haacke, "The Concept of Hedging"; Murphy, "Great Power Rivalries."

<sup>80</sup> Kuik, "How Do Weaker States Hedge?" 504.

<sup>81</sup> Mearsheimer, *The Tragedy of Great Power Politics*, 139.

<sup>82</sup> Kuik, "How Do Weaker States Hedge?" 506.

<sup>83</sup> Murphy, "Great Power Rivalries."

<sup>84</sup> Kuik, "How Do Weaker States Hedge?"

## **2. Hedging**

Hedging can be focused against a particular country or against general uncertainty due to power shifts. This alignment option can be considered as a middle position that is characterized by contradictory behavior of power acceptance and power rejection. In Cheng-Chwee Kuik's work on hedging in Southeast Asia, he describes hedging as a "point of neutrality" where countries strategically engage in selective collaboration and defiance of the same power.<sup>85</sup> He further defines hedging as "insurance-seeking behavior under high-stakes and high-uncertainty situations, where a sovereign actor pursues a bundle of opposite and deliberately ambiguous policies vis-à-vis competing powers to prepare a fallback position should circumstances change."<sup>86</sup> Kuik's view of hedging asserts that it must include three strategic principles: "an insistence on not taking sides among competing powers; the practice of adopting opposite and counteracting measures; and the use of the opposite acts as instruments to pursue the goals of preserving gains while cultivating a 'fallback' position."<sup>87</sup> Kuik argues that in the post-Cold War era, the countries in Southeast Asia have primarily adopted a strategy of hedging towards the PRC to mitigate numerous risks and uncertainty, while maximizing benefits.

## **3. Bandwagoning**

Countries that choose to bandwagon concede power to the aggressor country and align with it. Randall Schweller argues that the primary motivation for bandwagoning is often to gain profits from rising powers that offer aid to weaker countries that align with them.<sup>88</sup> Mearsheimer suggests that bandwagoning is a dangerous position because, although the weaker state may gain some benefits, the threatening country attains more power.<sup>89</sup>

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<sup>85</sup> Kuik, 502.

<sup>86</sup> Kuik, 504.

<sup>87</sup> Kuik, 504.

<sup>88</sup> Murphy, "Great Power Rivalries," 169.

<sup>89</sup> Mearsheimer, *The Tragedy of Great Power Politics*, 140.

## **E.      COMPETING INTERESTS AMONG SOUTHEAST ASIAN COUNTRIES**

The PRC's elaborate economic and political engagement in Southeast Asia has intensified the competing interests of the nations within the region. The PRC is keen on leveraging the multilateral forums that Southeast Asian nations have created, such as ASEAN and the East Asia Summit. The ability of Southeast Asian countries to cooperate within these mechanisms has contributed to their value as a strategic asset. However, ASEAN heavily prides itself on centrality and consensus building, while the PRC often prefers to engage individual countries bilaterally, which has caused negative impacts to the organization. While not a member of ASEAN, the PRC has influenced member countries, Cambodia in particular, through the use of political and economic coercion. Overall, this intentional manipulation and disruption benefit the PRC but weaken ASEAN; Huong Le Thu categorized the PRC's strategy towards ASEAN as a strategy of "coercion and inducement."<sup>90</sup> If Le Thu's assertion is correct, the weakening of ASEAN is a benefit for the PRC. The PRC has been able to create a wedge between the diverse member countries of ASEAN by enticing individual countries with short-term economic gains. However, it will likely result in long-term negative consequences as the organization's ability to reach consensus on key regional issues has been degraded.

Many scholars have highlighted the potential negative impacts of the PRC's influence over ASEAN countries. For example, Ian Storey argues that due to the nature of the PRC's rise within East Asia, it may not only change the relationship between Southeast Asia and the PRC, but also the inherent relations within ASEAN itself.<sup>91</sup> For example, in 2012 for the first time in ASEAN's 45-year history, it failed to issue a joint communique due to members disagreeing on whether to include language that reflected the confrontations that the PRC had initiated towards the Philippines and Vietnam in the South China Sea.<sup>92</sup> It was reported that prior to the ASEAN meeting, the PRC aggressively

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<sup>90</sup> Le Thu, "China's Dual Strategy of Coercion."

<sup>91</sup> Storey, *ASEAN and the Rise of China*.

<sup>92</sup> Bower, "China Reveals Its Hand on ASEAN."

pushed the members not to discuss any issues related to the South China Sea.<sup>93</sup> Ultimately, even though the PRC's aggression in the South China Sea had been discussed at length during the ASEAN meeting, Cambodian officials insisted that the incidents be omitted from the joint statement because they were bilateral issues. Although not present at the ASEAN meeting, the PRC was able to successfully control the behavior of Cambodian officials in order to disrupt a group consensus to oppose the PRC's behavior in the South China Sea. Furthermore, after the July 2016 United Nations Convention for the Law of the Sea (UNCLOS) arbitral tribunal ruled in favor of the Philippines case regarding PRC incursions into its Exclusive Economic Zone (EEZ), the newly elected Duterte administration issued a conservative response and did not use the ruling to reassert control of its traditional territory.<sup>94</sup> Tomotaka Shoji suggests that this was a missed opportunity for ASEAN to resolve the South China Sea issues, and may have encouraged the PRC to continue its maritime aggression.<sup>95</sup> Moreover, in 2017, when the Philippines was the ASEAN chair, Duterte continued his stance of not directly confronting the PRC on South China Sea issues, and dissuaded the other ASEAN members from strongly opposing the PRC's maritime behavior in the institution's annual statement. Southeast Asian countries are concerned that this type of influence from the PRC will deliberately weaken the unity of the organization. Ultimately, there is potential for the PRC's influence to degrade the autonomy of ASEAN countries if they establish a trend of prioritizing economics over security.

## **F. LITERATURE GAP**

Despite the significant amount of research concerning the PRC's influence in Southeast Asia, a research gap still exists. Overall, the current literature primarily focuses on the South China Sea, and the strategy of Southeast Asian countries' avoidance of

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<sup>93</sup> Bower.

<sup>94</sup> Tomotaka Shoji, "China's Formation of the Regional Order and ASEAN's Responses: From 'Rise' to 'Center,'" in *NIDS China Security Report 2019: China's Strategy for Reshaping the Asian Order and Its Ramifications* (Tokyo: National Institute for Defense Studies, 2019), 25–47, [http://www.nids.mod.go.jp/publication/chinareport/pdf/china\\_report\\_EN\\_web\\_2019\\_A01.pdf](http://www.nids.mod.go.jp/publication/chinareport/pdf/china_report_EN_web_2019_A01.pdf).

<sup>95</sup> Shoji, 34, 47.

challenging the PRC directly, and averting alignment too closely with the United States. However, it does not deeply assess if the PRC's economic influence is creating measurable change in the behavior of Southeast Asian nations. Additionally, research on great power competition within the region is often based on the PRC's potential based on its growing economic status, but does not quantitatively assess under which conditions the PRC's economic investment affects its influence in the region.

The current literature is comprehensively researched and documented, but does not provide enough information on the measurable behavior of Southeast Asian countries and what it reveals about the PRC's economic influence, and the subsequent impact to the great power dynamic. Based on this gap in research, this investigation seeks to answer: What does a quantitative analysis of the behaviors of Southeast Asian countries indicate about the influence of the PRC's economic investment within the region?

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### III. CASE STUDIES

Based on the review of the current literature it is evident that the PRC previously succeeded in filling the gap left by the United States' reprioritization away from Southeast Asia to the Middle East after the 9/11 terrorist attacks. As the United States was engaged in the war on terror, the PRC increased its bilateral engagements in Southeast Asia and secured partnerships that contest the regional influence of the United States. Additionally, the Trump administration's reversal of the Obama administration's economic commitment to Southeast Asia through the Trans-Pacific Partnership (TPP) made the reliability of U.S. support to the region more uncertain. The TPP was an opportunity for countries in the region to diversify economically and become less dependent on the PRC.<sup>96</sup> Although the PRC's influence is not necessarily greater than U.S. influence, PRC influence is evident in situations such as the Duterte administration's willingness to make multiple changes in its security relationship with the United States. Even though the two countries maintain an active alliance, Duterte has reduced the scale and number of joint military exercise, ended the Philippine-US Navy joint patrols in the South China Sea and suggested that he may initiate revisions to the Enhanced Defense Cooperation Agreement.<sup>97</sup>

To further understand the complex relationships between the countries in Southeast Asia, the PRC, and the United States, a qualitative review of 6 countries within the region was conducted. A qualitative perspective was sought to ascertain a more holistic view of the behavior identified in the quantitative analysis of vote alignment with the PRC. The primary areas that were researched were major economic partnerships, security partnerships, relationships with other major powers, and South China Sea conflicts. All of these areas are key factors in understanding the dynamics that can potentially affect the alignment of countries in Southeast Asia with the PRC.

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<sup>96</sup> Murphy, "Great Power Rivalries," 173.

<sup>97</sup> Shoji, "China's Formation of the Regional Order," 33.



The countries reviewed have a diverse spectrum of concerns due to the different sizes of their economies, levels of democracy, security concerns and domestic issues. Recognizing the complexity and mixed priorities of the nations within the region is an important element of understanding why their behavior is often characterized by ambiguity and mixed responses. With this consideration in mind, first a brief selection of key information will be presented about Indonesia, then Malaysia, the Philippines, Singapore, Thailand and Vietnam.

## **A. INDONESIA**

### **1. Key Data Points**

- BRI Investment Total (2013-2018): \$28.2 billion
- Exports to PRC: \$34 billion in 2018 (19.5% increase from 2017)
- Imports from PRC: \$43 billion in 2018 (24% increase from 2017)
- Debt to GDP Ratio: 29.80 (8/11 highest indebted nations in Southeast Asia)
- Level of Democracy/Autocracy: 9 (democracy)

### **2. Discussion**

Indonesia has the largest economy in Southeast Asia and in regard to purchasing power parity, it has the 10<sup>th</sup> largest economy in the world.<sup>98</sup> Additionally, it has the fourth highest population in the world. Indonesia also has a strong democracy, and has successfully maintained political stability. Indonesia also has a history of helping preserve stability and autonomy within the region by leading in multilateral institutions such as ASEAN.<sup>99</sup>

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<sup>98</sup> “The World Bank in Indonesia,” The World Bank, 1 Oct 20, <https://www.worldbank.org/en/country/indonesia/overview>.

<sup>99</sup> Emirza Adi Syailendra, “A Nonbalancing Act: Explaining Indonesia’s Failure to Balance Against the Chinese Threat,” *Asian Security* 13, no. 3 (September 2, 2017): 238, <https://doi.org/10.1080/14799855.2017.1365489>.

As the third largest democracy in the world, Indonesia and the United States maintain longstanding key partnerships. In 2010, the two countries developed the U.S.-Indonesia Comprehensive Partnership which was later upgraded to a Strategic Partnership in 2015, and signified enhanced cooperation of their shared interests and democratic principles.<sup>100</sup> Additionally, in 2018 the United States and Indonesia traded \$29 billion in goods and the United States provided Indonesia \$11.1 billion in FDI.<sup>101</sup>

On the economic front, Indonesia also maintains significant connections to the PRC. For instance, Indonesia has increased its economic ties with the PRC through infrastructure investments, and sought to finance approximately \$1.86 billion through the AIIB to improve maritime infrastructure and ports.<sup>102</sup> However, Indonesia has attempted to offset economic dependence on the PRC by extending some major contracts to Japan. Diplomatically, Indonesia has a fairly stable relationship with the PRC, but the PRC has instigated some security concerns for Indonesia. For example, PRC fishing vessels have been caught illegally fishing in Indonesia's EEZ, and when Indonesia attempted to arrest the offenders, the PRC physically interfered.<sup>103</sup>

As a nation that consist of over 17,000 islands, maritime threats are national security issues. Even though the PRC has periodically made incursions into Indonesia's EEZ, the geographic distance reduces the maritime threat from the PRC. It has been argued that Indonesia's mild response to the maritime threat is largely attributed to President Jokowi's personal interest in securing financing from the PRC for key infrastructure projects.<sup>104</sup> In contrast to the balance of power theory, Indonesia has not attempted to balance against the PRC. Instead, Indonesia has adopted a strategy of hedging and has

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<sup>100</sup> The White House Office of the Press Secretary, *Joint Statement by the United States of America and the Republic of Indonesia* (Washington, D.C: White House, 2015), <https://obamawhitehouse.archives.gov/the-press-office/2015/10/26/joint-statement-united-states-america-and-republic-indonesia>.

<sup>101</sup> "U.S. Relations With Indonesia," United States Department of State, January 21, 2020, <https://www.state.gov/u-s-relations-with-indonesia/>.

<sup>102</sup> Murphy, "Great Power Rivalries," 180.

<sup>103</sup> Murphy, 172.

<sup>104</sup> Syailendra, "A Nonbalancing Act," 237.

enhanced its partnerships with South Korea, Brazil, Japan, Australia, and India, in addition to its relationships with the PRC and the United States.

## **B. MALAYSIA**

### **1. Key Data Points**

- BRI Investment Total (2013-2018): \$30.6 billion
- Exports to PRC: \$63 billion in 2018 (16.3% increase from 2017)
- Imports from PRC: \$45 billion in 2018 (9.91% increase from 2017)
- Debt to GDP Ratio: 51.21 (4/11 highest indebted nations in Southeast Asia)
- Level of Democracy/Autocracy: 5 (anocracy)

### **2. Discussion**

The United States and Malaysia have strong economic and security cooperation. The two countries partner in areas such as trade, counterterrorism, regional stability, maritime situational awareness, and environmental issues.<sup>105</sup> In 2014, Malaysia and the United States upgraded their relationship to a Comprehensive Partnership. Malaysia also upgraded its status from observer to participant in the U.S. Cobra Gold exercises.<sup>106</sup> Additionally, Malaysia is a large trading partner of the United States; in 2018 they engaged in \$52.2 billion in bilateral trade.<sup>107</sup> The United States also holds an estimated \$15.1 billion of foreign investment stock in Malaysia.

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<sup>105</sup> “U.S. Relations With Malaysia,” United States Department of State, January 21, 2020, <https://www.state.gov/u-s-relations-with-malaysia/>.

<sup>106</sup> Murphy, “Great Power Rivalries,” 176.

<sup>107</sup> U.S. Department of State, “U.S. Relations With Malaysia.”

Malaysia is one of the ASEAN countries involved in the South China Sea dispute with the PRC. The PRC has intruded into Malaysian waterways many times and has even planted a PRC flag in the Malaysian EEZ.<sup>108</sup> Malaysia has attempted to avoid direct confrontation with the PRC and instead tried to deter PRC aggression by leveraging multilateral institutions such as ASEAN and supporting U.S. freedom of navigation activities. In spite of the maritime security concerns, Malaysia has enhanced its security and economic cooperation with the PRC to include acquiring four littoral ships.<sup>109</sup> Malaysia has been characterized as leaning towards bandwagoning with the PRC for financial gain; however, as argued by Noor and Qistina, this perspective does not properly account for the defense partnership that it maintains with the United States.<sup>110</sup> Additionally, Malaysia is a member of other defense collaborations such as the Five Power Defense Agreement, along with New Zealand, Great Britain, Singapore and Australia. Consistent with the concept of hedging, Malaysia has simultaneously expanded its relationships with multiple powers, including the United States and the PRC.

## **C. PHILIPPINES**

### **1. Key Data Points**

- BRI Investment Total (2013–2018): \$5.2 billion
- Exports to PRC: \$20 billion in 2018 (7.05% increase from 2017)
- Imports from PRC: \$35 billion in 2018 (9.49% increase from 2017)
- Debt to GDP Ratio: 38.92 (5/11 highest indebted nations in Southeast Asia)
- Level of Democracy/Autocracy: 8 (democracy)

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<sup>108</sup> Murphy, “Great Power Rivalries,” 172.

<sup>109</sup> Elina Noor and T. N. Qistina, “Great Power Rivalries, Domestic Politics and Malaysian Foreign Policy,” *Asian Security* 13, no. 3 (September 2, 2017): 200–219, <https://doi.org/10.1080/14799855.2017.1354568>.

<sup>110</sup> Noor and Qistina, 209; Murphy, “Great Power Rivalries,” 176.

## 2. Discussion

The Philippines has one of the most diverse and promising economies in Southeast Asia. Since 2010, it has maintained a yearly growth rate of 6.4% and has expanded its middle-class.<sup>111</sup> Similar to other nations in Southeast Asia, the Philippines has significant economic ties to the United States and the PRC. The United States and the Philippines traded more than \$27 billion in services and goods in 2018.<sup>112</sup> The United States is also one of the top foreign investors in the Philippines.

As democratic countries, the United States and the Philippines have many interests that align such as security and freedom of navigation in Southeast Asia. However, the overall relationship between the countries has ebbed and flowed. For example, while the U.S. was focused on the global war on terrorism in the Middle East, and the second front in Southeast Asia, less emphasis was placed on traditional foreign policy relationships with the Philippines. In 2002, then Philippine President Arroyo received significant domestic backlash against allowing the U.S. military to launch combat operations out of the country against the terrorist group Abu Sayyaf.<sup>113</sup> As political instability ensued, Arroyo increased bilateral ties with the PRC in an attempt to rebalance the U.S-Philippine relationship, and decrease domestic concerns about dependence on the United States.

During the mid-2000s, as the Philippines increased its bilateral ties to the PRC it ignored most of the PRC's aggression in the South China Sea. However, tensions were renewed in 2009 when the PRC announced its nine-dashed line claim. After the U.S. pivot to the Indo-Pacific in 2009, the Philippines was presented with an opportunity to enhance its relationship with the United States.<sup>114</sup> As a result, the Philippines increased its defense cooperation with the United States and bolstered their military capabilities to deter the

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<sup>111</sup> "The World Bank in the Philippines," The World Bank, October 16, 2020, <https://www.worldbank.org/en/country/philippines/overview>.

<sup>112</sup> "U.S. Relations With the Philippines," United States Department of State, January 21, 2020, <https://www.state.gov/u-s-relations-with-the-philippines/>.

<sup>113</sup> Richard Javad Heydarian, "Tragedy of Small Power Politics: Duterte and the Shifting Sands of Philippine Foreign Policy," *Asian Security* 13, no. 3 (September 2, 2017): 225, <https://doi.org/10.1080/14799855.2017.1354569>.

<sup>114</sup> Heydarian, 228.

PRC's aggressive behavior in the South China Sea. This security enhancement was consistent with the Aquino administration's (2010-2016) primary strategy of balancing, and leveraging multilateral organizations to deter the PRC's aggressive behavior.

During the Aquino administration, the Philippines also brought a case against the PRC's maritime claim to the UNCLOS Arbitral Tribunal, which ruled in favor of the Philippines in July 2016.<sup>115</sup> However, shortly after President Rodrigo Duterte came to power in 2016, he began advocating for the Philippines to shift away from the United States to the PRC. Duterte's stance may be partially attributed to his anti-American beliefs and the U.S. failure to enforce the Scarborough Shoal 2012 deal which resulted in the PRC asserting physical control over the area.<sup>116</sup> Additionally, the U.S. lack of clarity on whether it would support the Philippines under the Mutual Defense Treaty if a conflict occurred with the PRC in the South China Sea dispute likely contributed to less cooperation with the United States. Furthermore, U.S. views on human rights and its criticism of Duterte's violent crackdown against drug dealers influenced the Duterte administration's foreign policy shift to the PRC.

#### **D. SINGAPORE**

##### **1. Key Data Points**

- BRI Investment Total from (2013-2018): \$28.4 billion
- Exports to PRC: \$33 billion in 2018 (1.78% decrease from 2017)
- Imports from PRC: \$49 billion in 2018 (10.6% increase from 2017)
- Debt to GDP Ratio: 114.34 (1/11 highest indebted nations in Southeast Asia)
- Level of Democracy/Autocracy: -2 (anocracy)

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<sup>115</sup> Heydarian, 221.

<sup>116</sup> Murphy, "Great Power Rivalries," 174.

## 2. Discussion

Singapore is credited with being one of the most competitive economies in the world.<sup>117</sup> Its GDP growth rate is one of the highest in the world, with an average increase of 7.2% per year since the late 1960s. Singapore has deep economic relationships with the PRC. The PRC has been the top investment location for Singapore since 1997.<sup>118</sup> Singapore is also the largest recipient of PRC foreign investment and the PRC is Singapore's largest trading partner.<sup>119</sup> However, Singapore is the only nation within Southeast Asia that does not require support from the PRC for internal development projects.<sup>120</sup>

Singapore also serves as a prominent financial hub for PRC enterprises, utilizing its reputation in international banking, market accessibility, and significant resources in master planning and logistics to support the advancement of efforts such as the BRI.<sup>121</sup> Singapore could make significant financial profits by serving as a middle-man for BRI planning and financing in Southeast Asia.

Although Singapore is not directly engaged in the territorial disputes with the PRC, issues that affect the freedom of navigation in the South China Sea present economic and security concerns for Singapore. The potential for the PRC's South China Sea activities to create issues for Singapore, underscores the importance of the U.S.-Singapore relationship. The United States and Singapore share significant economic and military partnerships. They have a Free Trade Agreement, and traded approximately \$73.9 billion in goods and

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<sup>117</sup> "The World Bank in Singapore," The World Bank, April 9, 2019, <https://www.worldbank.org/en/country/singapore/overview>.

<sup>118</sup> Liang Fook Lye, "Singapore-China Relations: Building Substantive Ties Amidst Challenges," *Southeast Asian Affairs 2018*, 2018, 326.

<sup>119</sup> Chan, "Singapore-China Connectivity," 39.

<sup>120</sup> Irene Chan, "Reversing China's Belt-and-Road Initiative—Singapore's Response to the BRI and Its Quest for Relevance," *East Asia* 36, no. 3 (September 13, 2019): 201, <https://doi.org/10.1007/s12140-019-09317-7>.

<sup>121</sup> Chan, "Singapore-China Connectivity," 39; Alan Chong, "Singapore Engages China's Belt and Road Initiative: The Pitfalls and Promises of Soft Strategies," in *Nids Asean Workshop 2019: "China's BRI and ASEAN* (Tokyo: National Institute for Defense Studies, 2019), 56.

services in 2018.<sup>122</sup> The United States is also the largest foreign investor in Singapore. Furthermore, in 2015, the United States and Singapore completed the Enhanced Defense Cooperation Agreement.<sup>123</sup>

The leaders of Singapore have expressed their intent to maintain a good relationship with all major powers, and prefer not to choose between aligning with the United States or the PRC.<sup>124</sup> As a result, Singapore strategically partners with the United States to hedge against the PRC's regional hard power tactics, but uses the BRI to gain economic leverage in opposition of the United States.

## **E. THAILAND**

### **1. Key Data Points**

- BRI Investment Total (2013–2018): \$7.7 billion
- Exports to PRC: \$44 billion in 2018 (7.98% increase from 2017)
- Imports from PRC: \$42 billion in 2018 (11.5% increase from 2017)
- Debt to GDP Ratio: 34.01 (7/11 highest indebted nations in Southeast Asia)
- Level of Democracy/Autocracy: -3 (anocracy)

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<sup>122</sup> “Singapore Trade Summary 2018,” The World Bank, World Integrated Trade Solution, accessed November 8, 2020, <https://wits.worldbank.org/CountryProfile/en/Country/SGP/Year/LTST/Summarytext>; U.S. Department of State, “U.S. Relations With Singapore.”

<sup>123</sup> Haacke, “The Concept of Hedging,” 407.

<sup>124</sup> Haacke, 402.



## 2. Discussion

Over the last forty years Thailand has made extraordinary economic progress and become the second largest economy in Southeast Asia. It's economic growth slowed in 2018 and is partially attributed to a decreased demand of exports because of the U.S.-China trade war.<sup>125</sup> However, Thailand still maintains strong connections with both countries.

The relationship between the United States and Thailand includes economic and security partnerships. On the economic front, Thailand and the United States traded \$44.5 billion in goods in 2018. The United States also invested approximately \$17 billion of FDI in Thailand stock.<sup>126</sup> As important security allies they also have significant diplomatic relations. In 2013, Thailand was designated as a Major Non-NATO Ally of the United States.<sup>127</sup> They also conduct multiple joint military exercises in support of their roles as mutual defense partners. For instance, Cobra Gold is the largest multinational military exercise in the Indo-Pacific, and is co-hosted yearly by Thailand and the United States. Thailand also receives training, supplies and military equipment from the United States. Additionally, as an enabler of U.S. military force projection, Thailand provides access of its deep-water port at Sattahip to the U.S. Navy.<sup>128</sup>

Unlike other countries in Southeast Asia that have experienced maritime aggression, Thailand is a mainland country, and has not experienced the same threatening behavior from the PRC. Thailand has expanded its economic and military relationships with the PRC, but it also maintains its alliance with the United States. Ultimately, Thailand maintains a strategy of hedging but it is notable that while its relationship with the United States declined after the 2014 military coup, its cooperation with the PRC increased.<sup>129</sup>

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<sup>125</sup> "The World Bank in Thailand," The World Bank, September 2020, <https://www.worldbank.org/en/country/thailand/overview>.

<sup>126</sup> "Thailand," Office of the United States Trade Representative, accessed November 8, 2020, <https://ustr.gov/countries-regions/southeast-asia-pacific/thailand>.

<sup>127</sup> "U.S. Relations With Thailand," United States Department of State, May 7, 2020, <https://www.state.gov/u-s-relations-with-thailand/>.

<sup>128</sup> Pillsbury, "The Trump Administration's Indo-Pacific Strategy," 34.

<sup>129</sup> Busbarat, "Bamboo Swirling in the Wind," 240–41.

## **F. VIETNAM**

### **1. Key Data Points**

- BRI Investment Total (2013–2018): \$8.8 billion
- Exports to PRC: \$64 billion in 2018 (27% increase from 2017)
- Imports from PRC: \$84 billion in 2018 (17.3% increase from 2017)
- Debt to GDP Ratio: 55.56 (3/11 highest indebted nations in Southeast Asia)
- Level of Democracy/Autocracy: -7 (autocracy)

### **2. Discussion**

Vietnam is a relatively poor country but has experienced significant political reforms and economic development over the last 30 years. During the period between 2002 to 2018 Vietnam elevated its GDP per capita by 2.7 times and lifted 45 million people out of poverty.<sup>130</sup> The United States and Vietnam conducted \$81.3 billion in trade in 2019 and the United States invested \$2.6 billion in FDI in Vietnam.<sup>131</sup>

The United States and Vietnam normalized diplomatic relations in 1995 and have steadily increased cooperation. The current relationship was solidified in the 2013 U.S.-Vietnam Comprehensive Partnership, and has been enhanced as the bilateral relationship has grown. Additionally, the United States abolished its ban that prohibited the sale of lethal weapons to Vietnam in 2016.<sup>132</sup> The progression of Vietnam's relationship with the United States is a significant element of its shift in foreign policy, which at one time preferred cooperating with the PRC because they shared a socialist ideology. Since the 1990s Vietnam has focused more on protecting its national interest than aligning with other

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<sup>130</sup> "The World Bank in Vietnam," The World Bank, October 6, 2020, <https://www.worldbank.org/en/country/vietnam/overview>.

<sup>131</sup> "Vietnam," Office of the United States Trade Representative, accessed November 7, 2020, <https://ustr.gov/countries-regions/southeast-asia-pacific/vietnam>.

<sup>132</sup> "U.S. Relations With Vietnam," United States Department of State, January 21, 2020, <https://www.state.gov/u-s-relations-with-vietnam/>.

socialist governments.<sup>133</sup> This progressive change in Vietnam's foreign policy has placed it in a better position to protect its national interest as it leverages support to address the PRC's maritime aggression.

Although Vietnam and the PRC have strong economic ties and elevated their bilateral relationship to a strategic cooperative partnership in 2013, it has not aided in deterring PRC activity in the South China Sea. For instance, the PRC prevented Vietnam fisherman from entering historical fishing grounds, sent an oil exploration rig into Vietnam's EEZ, and used force against them when they tried to safeguard the area.<sup>134</sup> In response, Vietnam increased its defense cooperation with the United States to enhance their military capabilities to counter PRC aggressiveness in the South China Sea.

Vietnam has been a supporter of U.S. rebalancing within the region; however, it is not directly balancing against the PRC. Vietnam's defense policy of "three nos" prevents it from joining the U.S. efforts to directly balance against the PRC. The policy states that "Vietnam will not join alliances, will not grant any country permission to have military bases in Vietnam, and will not grant permission for any country to use its soil to carry out military activities against other countries."<sup>135</sup>

Overall, Vietnam has attempted to remain autonomous and avoid being pulled into a major conflict by entering into strategic relationships with the United States, Japan, China, India and Russia.<sup>136</sup> Vietnam's strategy of engaging in multilateral organizations, partnering with multiple major countries, and selectively defying PRC aggression is a classic example of hedging.

The next chapter presents the primary analysis of the research. It includes the data sources, methodology and research design used to assess the relationship between PRC

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<sup>133</sup> Carlyle A. Thayer, "Vietnam's Foreign Policy in an Era of Rising Sino-US Competition and Increasing Domestic Political Influence," *Asian Security* 13, no. 3 (September 2, 2017): 185, <https://doi.org/10.1080/14799855.2017.1354570>.

<sup>134</sup> Thayer, 193.

<sup>135</sup> Thayer, 185.

<sup>136</sup> Thayer, 186.

investment and the UNGA vote alignment of countries in Southeast Asia. Additionally, it presents the major findings of the assessment and broader implications.

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## **IV. QUANTITATIVE ANALYSIS**

In order to analyze the hypotheses, I utilized a quantitative approach to examine the relationship between the PRC's economic activity and the measurable behavior of Southeast Asian countries. This investigation leveraged public open source databases that collect data on global trade, foreign direct investment, aid (including loans and grants), BRI investment, Gross Domestic Product, level of democracy and United Nations General Assembly voting. Data was compiled on Southeast Asia and the PRC for the period of 2000–2018. The data range started in the year 2000 to identify voting behavior prior to the economic boom in the PRC and the establishment of the BRI in 2013. This chapter is divided into five sections. First, each data source will be explained, then hypotheses, methodology, model design and results will be discussed.

### **A. DATA SOURCES**

This research utilizes multiple online public datasets for analysis. The complete list of data sources includes China Global Investment Tracker from the American Enterprise Institute, the World Development Indicator of Gross Domestic Product by the World Bank, the United Nations General Assembly Voting Data from Harvard Dataverse, the Center for Systematic Peace, Polity5 dataset, the United Nations Comtrade Database and AidData's Global Chinese Official Finance Dataset. The datasets can be found at the following websites:

1. The China Global Investment Tracker  
<https://www.aei.org/china-global-investment-tracker/>
2. The World Development Indicator of Gross Domestic Product  
<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>
3. The United Nations General Assembly Voting Data  
<https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DV/N/LEJUQZ>

4. The Polity5 Dataset  
<http://www.systemicpeace.org/inscrdata.html>
5. The United Nations Comtrade Database  
<https://comtrade.un.org/Data/>
6. AidData's Global Chinese Official Finance Dataset, 2000–2014, Version 1.0  
<https://www.aiddata.org/data/chinese-global-official-finance-dataset>

## 1. China Global Investment Tracker (CGIT)

The American Enterprise Institute – China Global Investment Tracker is a public dataset that tracks the PRC's global foreign investment from private companies and state-owned enterprises.<sup>137</sup> The tracker captures annual transactions globally from 2005–2020.<sup>138</sup> Although the PRC is known to lack transparency in its economic activities, the CGIT dataset includes a comprehensive collection of available information. However, the tracker only includes transactions with a minimum threshold of \$100 million from Chinese parent companies to countries other than the PRC.<sup>139</sup> The dataset also highlights transactions that are categorized by the PRC as BRI projects. For the purposes of this study, the dataset from CGIT was used to establish two independent variables: foreign direct investment (FDI) and BRI investment.

## 2. The World Development Indicator of Gross Domestic Product (GDP)

The World Development Indicator of GDP data provides the total value of the services and goods produced in a country. GDP is a common indicator of a country's overall economic status. This World Bank database reports on annual changes in economic

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<sup>137</sup> Derek Scissors, *China Global Investment Tracker* (Washington, DC: The American Enterprise Institute and The Heritage Foundation, 2018), <https://www.aei.org/china-global-investment-tracker/>.

<sup>138</sup> Scissors.

<sup>139</sup> Derek Scissors, *China's Global Investment in 2019: Going Out Goes Small* (American Enterprise Institute, 2020), <https://www.aei.org/wp-content/uploads/2020/01/Chinas-global-investment-in-2019-1.pdf>.

factors through real growth, price inflation and exchange rates. The data bank has a collection of data from internationally recognized sources and spans from the period of 1960 to 2019.<sup>140</sup>

### **3. United Nations General Assembly (UNGA) Voting Data**

The voting data was collected from the UNGA Voting Dataset from Harvard Dataverse, which is a dataset of roll-call votes in the UNGA from 1946 to 2019.<sup>141</sup> The UN documents each vote as Yes, No, Abstention or non-participating. UNGA voting data was utilized to ascertain a vote score, which served as the dependent variable for the entirety of the study.

### **4. Polity5 Dataset**

The Integrated Network for Societal Conflict Research's Polity5 dataset, which tracks levels of democracy in all states that have a population of over five hundred thousand people, was used to control for level of democracy.<sup>142</sup> The dataset scores independent countries from the period of 1800 to 2018. The polity score captures the level of democracy, ranging from an absolute dictatorship (-10) to a consolidated democracy (+10).<sup>143</sup> This data was utilized as a control variable, as it is a source of influence that could affect the behavior of Southeast Asian countries.

### **5. United Nations Comtrade Database**

The United Nations Comtrade Database is the largest repository for global trade data. It was utilized to compile annual trade data between the PRC and Southeast Asia. The dataset includes global trade statistics from more than 170 countries and covers the period

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<sup>140</sup> *World Development Indicators DataBank*, accessed August 1, 2020, <https://databank.worldbank.org/source/world-development-indicators>.

<sup>141</sup> Erik Voeten, Anton Strezhnev, and Michael Bailey, "United Nations General Assembly Voting Data," Harvard Dataverse, V27, 2009. <https://doi.org/10.7910/DVN/LEJUQZ>.

<sup>142</sup> "INSCR Data Page," Center for Systemic Peace. Accessed June 12, 2020, <https://www.systemicpeace.org/inscrdata.html>.

<sup>143</sup> "INSCR Data Page."



from 1962–2020. In total the dataset includes over 3 billion data records of global trade transactions.<sup>144</sup>

## **6. AidData’s Global Chinese Official Finance Dataset**

The AidData dataset, provided by the College of William and Mary, tracks Chinese overseas official finance data from 2000 to 2014.<sup>145</sup> The dataset includes development projects that meet the Organisation for Economic Co-operation and Development’s criteria for Official Development Assistance.<sup>146</sup> It also includes official Chinese projects that “lack development intent or are provided with higher interest rates and lower grant elements.”<sup>147</sup> Although this dataset captures official Aid, Loans and Grants from the PRC, one drawback of the dataset is that it only covers the period of 2000 to 2014, which creates a four-year gap in this study for PRC Aid, Loans and Grants.

## **B. HYPOTHESES**

My hypotheses attempt to identify under what conditions, if any, would PRC economic investment, GDP, and levels of democracy affect the behaviors of countries within Southeast Asia. More specifically, is there a methodic relationship between the dependent variable [UNGA votes], independent variables: Trade Total, Trade Balance, BRI Investment, FDI and Aid; and the control variables: Polity or GDP? Considering these variables, I examined three hypotheses in this research:

- The PRC’s influence will be greater in countries where it provides a higher amount of BRI investment.

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<sup>144</sup> UN Comtrade Database: Trade Statistics, accessed June 12, 2020, <https://comtrade.un.org/Data/>.

<sup>145</sup> A Dreher et al., “Aid, China, and Growth: Evidence from a New Global Development Finance Dataset. AidData Working Paper #46” (Williamsburg, VA: AidData., 2017), <https://www.aiddata.org/data/chinese-global-official-finance-dataset>.

<sup>146</sup> “Official Development Assistance (ODA),” Organisation for Economic Co-operation and Development, accessed October 29, 2020, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm>.

<sup>147</sup> Dreher et al., “Aid, China, and Growth.”

- High levels of economic partnerships between the PRC and Southeast Asian countries will be associated with favorable support for PRC interests.
- Southeast Asian countries will attempt to balance the PRCs influence, when economic relationships are in the PRCs favor.

## C. METHODOLOGY

Each hypothesis examines the relationship between the PRC's economic investment in Southeast Asia and the measurable behavior of Southeast Asian countries. The economic relationships are categorized as Trade Total; Trade Balance; BRI Investment; Foreign Direct Investment; and Aid, Loans and Grants. To analyze the hypotheses, I conducted a quantitative study of the variables included in each dataset. The program R was utilized to combine the data into one large dataset, and then executed an Ordinary Least Squares regression model to assess the relationship, if any, between the dependent and independent variables.

### 1. Unit of Analysis and Variables

The unit of analysis for this research is country-year. In structuring the dataset for analysis, the data was reconstructed into this format to assign a single value for each variable by country-year. When necessary, logarithmic transformation was conducted to reduce the skewness of the data by adding a quantity of 1.

#### *a. Dependent Variable*

UNGA Votes: UNGA Votes are drawn from the roll-call of UNGA votes that occurred from 1946–2019.<sup>148</sup> For this study, all votes were measured based on two criteria: a vote that aligned with the PRC's vote (Yes/Yes or No/No) or a vote that opposed the PRC's vote (Yes/No). A value of 1 was assigned to each vote that aligned with the PRC and a value of 0 was assigned to each opposing vote. Then, a score was calculated for each country-year, equal to the proportion of UNGA vote alignment with the PRC.

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<sup>148</sup> Voeten, Strezhnev, and Bailey, "United Nations General Assembly Voting Data."

***b. Independent Variables***

- Trade Total: This variable is calculated by adding the total amount of imports and exports between each country and the PRC. This data was standardized in USD and log transformed to normalize the data.<sup>149</sup>
- Trade Balance: This variable is calculated by dividing the amount of exports from the PRC to each specific country by the trade total. This data was standardized in USD.
- BRI Investment: This variable contains the sum of BRI investments from the PRC to each country. The data was standardized in USD and log transformed to normalize the data.
- Foreign Direct Investment: This variable consists of the sum of the PRC's foreign direct investment in each country from both commercial and state-owned enterprises. This data was standardized in USD and log transformed to normalize the data.
- Aid, Loans and Grants: This variable includes the sum of aid, loans and grants from the PRC to each country. This data was standardized in USD and log transformed to normalize the data.

***c. Control Variables***

- GDP: The purpose of this variable is to improve the reliability of the analysis by accounting for a respective country's wealth and the size of its economy. This data was log transformed due to normalize the data.

- Polity: The purpose of this variable is to control for a given country's level of democracy. The polity score identifies the level of democracy, with a range from an absolute dictatorship at -10 to a consolidated democracy at +10.

#### **D. MODEL DESIGN**

To conduct the analysis of the variables and their potential relationships, I developed several linear regression models. During the process of analyzing the models, I used the Akaike Information Criterion (AIC) to increase predictive accuracy and determine which model was the best fit for the dataset. When utilizing AIC, the model with the lowest AIC score will be the most applicable in forming accurate predictions.<sup>150</sup> Initially, all independent variables and control variables were included in the regression. The accuracy of the model increased as statistically insignificant variables were removed and interaction terms were introduced to identify the relationships between the variables. Interactions were assessed by adding a term to a model where two independent variables are multiplied. When a significant interaction occurs, it “indicates that the effect of one predictor variable on the response variable is different at different values of the other predictor variable.”<sup>151</sup> In this study, interaction terms enabled a more holistic assessment of economic investment across a dynamic group of countries with different levels of wealth and democracy. Table 1 displays ten of the primary regression models, with the statistical significance of each variable annotated by asterisks predicated on the p-value. Within the models, if no results are present, those variables were found to be statistically insignificant and therefore not included in the model. As shown in Table 1, the model with the best fit based on lowest AIC score was Model 1. The model includes all of the variables discussed previously, plus interactions between GDP and Polity, GDP and trade balance, GDP and trade total, and BRI investment and Aid, Loans and Grants.

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<sup>150</sup> DeWayne R. Derryberry, *Basic Data Analysis for Time Series with R* (Hoboken, NJ: John Wiley & Sons, Incorporated, 2014), 106.

<sup>151</sup> Karen Grace-Martin, “Interpreting Interactions in Regression,” January 19, 2009, <https://www.theanalysisfactor.com/interpreting-interactions-in-regression/>.

Table 1. Regression Results

	<i>Dependent variable:</i>									
	UN General Assembly Vote Score									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Foreign Direct Investment	0.0001 (0.002)	-0.003 (0.003)	0.010 (0.012)	-0.004 (0.003)	-0.006** (0.003)	-0.007*** (0.003)	-0.003 (0.002)	0.001 (0.002)	0.012 (0.012)	0.025** (0.011)
Gross Domestic Product & Foreign Direct Investment (Logged)			-0.001 (0.001)						-0.001 (0.001)	-0.002** (0.001)
BRI Investment (Logged)	-0.009*** (0.003)	-0.005** (0.003)	-0.007*** (0.002)	-0.005* (0.003)				-0.008*** (0.002)		-0.008*** (0.002)
Gross Domestic Product (Logged)	0.067** (0.028)	0.059** (0.028)	0.030 (0.019)	0.073** (0.033)	0.069** (0.028)	0.083** (0.033)	0.072** (0.028)	0.071** (0.029)	0.039** (0.019)	0.063*** (0.012)
Polity	-0.016** (0.006)	-0.017*** (0.006)	-0.021*** (0.006)	-0.015** (0.006)	-0.016** (0.006)	-0.014** (0.006)	-0.016** (0.006)	-0.019*** (0.006)	-0.021*** (0.006)	-0.023*** (0.006)
Aid, Loans and Grants	0.001* (0.001)	0.001 (0.001)	0.002*** (0.001)	0.014* (0.008)	0.001 (0.001)	0.014* (0.008)	0.003*** (0.001)		0.003*** (0.001)	
Trade Balance	0.622*** (0.155)	0.609*** (0.158)	0.560*** (0.156)	0.638*** (0.161)	0.649*** (0.158)	0.675*** (0.162)	0.640*** (0.160)	0.594*** (0.161)	0.599*** (0.158)	0.583*** (0.160)
Trade Total (Logged)	0.044*** (0.013)	0.043*** (0.013)	0.024** (0.010)	0.041*** (0.015)	0.044*** (0.013)	0.043*** (0.015)	0.044*** (0.013)	0.048*** (0.013)	0.020* (0.010)	
Gross Domestic Product (Logged) & Polity	0.001** (0.001)	0.001** (0.001)	0.002*** (0.001)	0.001* (0.001)	0.001** (0.001)	0.001* (0.001)	0.001** (0.001)	0.002** (0.001)	0.002*** (0.001)	0.002*** (0.001)
Gross Domestic Product (Logged) & Trade Balance	-0.061*** (0.016)	-0.060*** (0.017)	-0.053*** (0.016)	-0.057*** (0.017)	-0.065*** (0.017)	-0.062*** (0.017)	-0.064*** (0.017)	-0.057*** (0.017)	-0.057*** (0.016)	-0.053*** (0.017)
Gross Domestic Product & Trade Total (Logged)	-0.003* (0.002)	-0.003 (0.002)		-0.003* (0.002)	-0.003* (0.002)	-0.003** (0.002)	-0.003** (0.002)	-0.004** (0.002)		
BRI Investment & Aid, Loans and Grants (Logged)	0.001*** (0.0002)									
Foreign Direct Investment & Aid, Loans and Grants (Logged)		0.0002 (0.0002)		0.0004* (0.0002)	0.0003* (0.0002)	0.001*** (0.0002)				
GDP & Aid, Loans and Grants (Logged)				-0.001 (0.001)		-0.001 (0.001)				
Aid, Loans and Grants (Logged) & Trade Balance				-0.006 (0.004)		-0.006 (0.004)				
Aid, Loans and Grants & Trade Total (Logged)				-0.0002 (0.001)		-0.0003 (0.001)				
Constant	-0.010 (0.205)	0.037 (0.207)	0.238 (0.145)	-0.105 (0.237)	-0.035 (0.206)	-0.176 (0.236)	-0.058 (0.208)	-0.024 (0.211)	0.179 (0.146)	0.099 (0.126)
Observations	178	178	178	178	178	178	178	178	178	178
Log Likelihood	218.403	215.312	213.903	217.335	213.115	215.351	211.161	210.111	210.053	206.288
Akaike Inf. Crit.	-412.806	-406.623	-405.806	-404.670	-404.230	-402.703	-402.323	-400.222	-400.105	-394.577

Note:

\*p\*\*p\*\*\*p&lt;0.01

## E. RESULTS

Narrowing down from the ten models displayed in the regression table, a comparison of the coefficients of the six models with the lowest AIC scores is shown in Figure 4, with each model designated as a different color. The dashed lines represent the 95% confidence intervals and the circular points represent the coefficient. The points to the left of the 95% confidence intervals represent a negative association with voting score, and the points to the right represent a positive association with voting score. Model 1, shown in blue, has the lowest AIC score of the six models. Model 1 shows with high confidence that polity and BRI investment is negatively correlated with vote score, while trade balance, GDP, trade total, and aid, loans, and grants are positively associated. FDI is considered unreliable due to the 95% confidence interval crossing the 0 line.

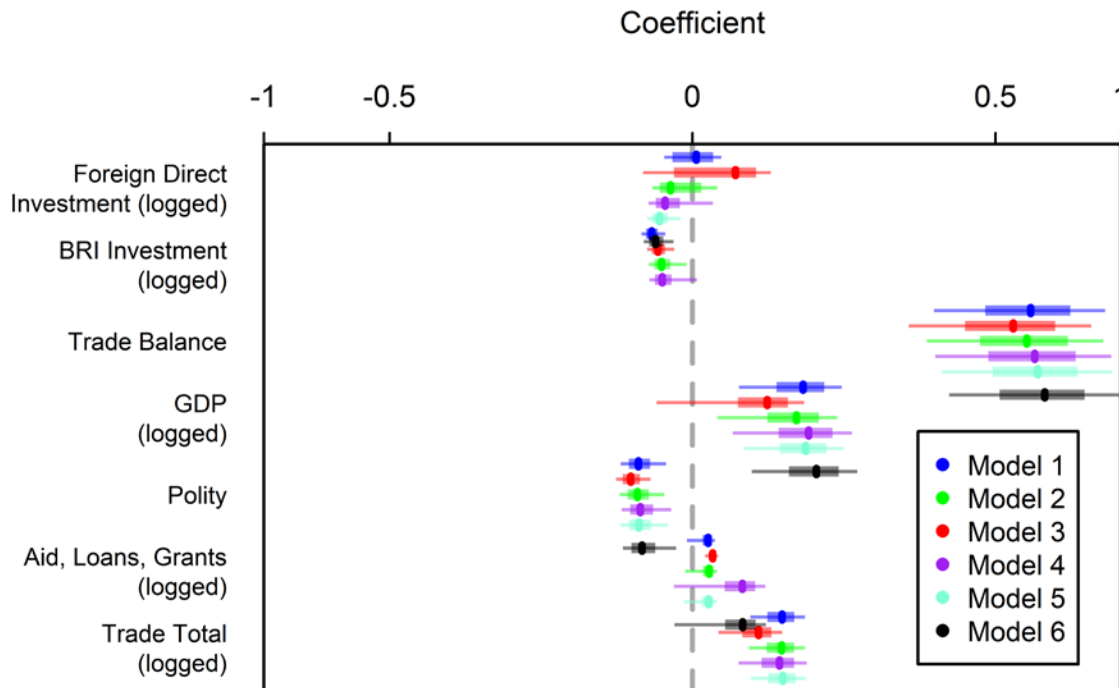


Figure 4. Regression Coefficients of Top Six Models Based on AIC Score

A surface-level examination of the voting alignment of Southeast Asian countries is shown in Figure 5. It is apparent that Southeast Asian countries have an overall high voting concurrence with the PRC. The mean vote score of all countries in the region from 2000 to 2018 is 0.78. In comparison, the United States' vote alignment with the PRC has a mean of 0.16. As shown in Figure 5, Southeast Asia's overall vote alignment with the PRC increased from approximately the year 2000 to 2007, and then started to decline. The congruent voting patterns take a noticeable decline in 2013, the same year that the BRI was established, and have continued in a negative trajectory. Next, a deeper analysis of the four statistically significant findings shown in Figures 6 and 7 will be discussed.

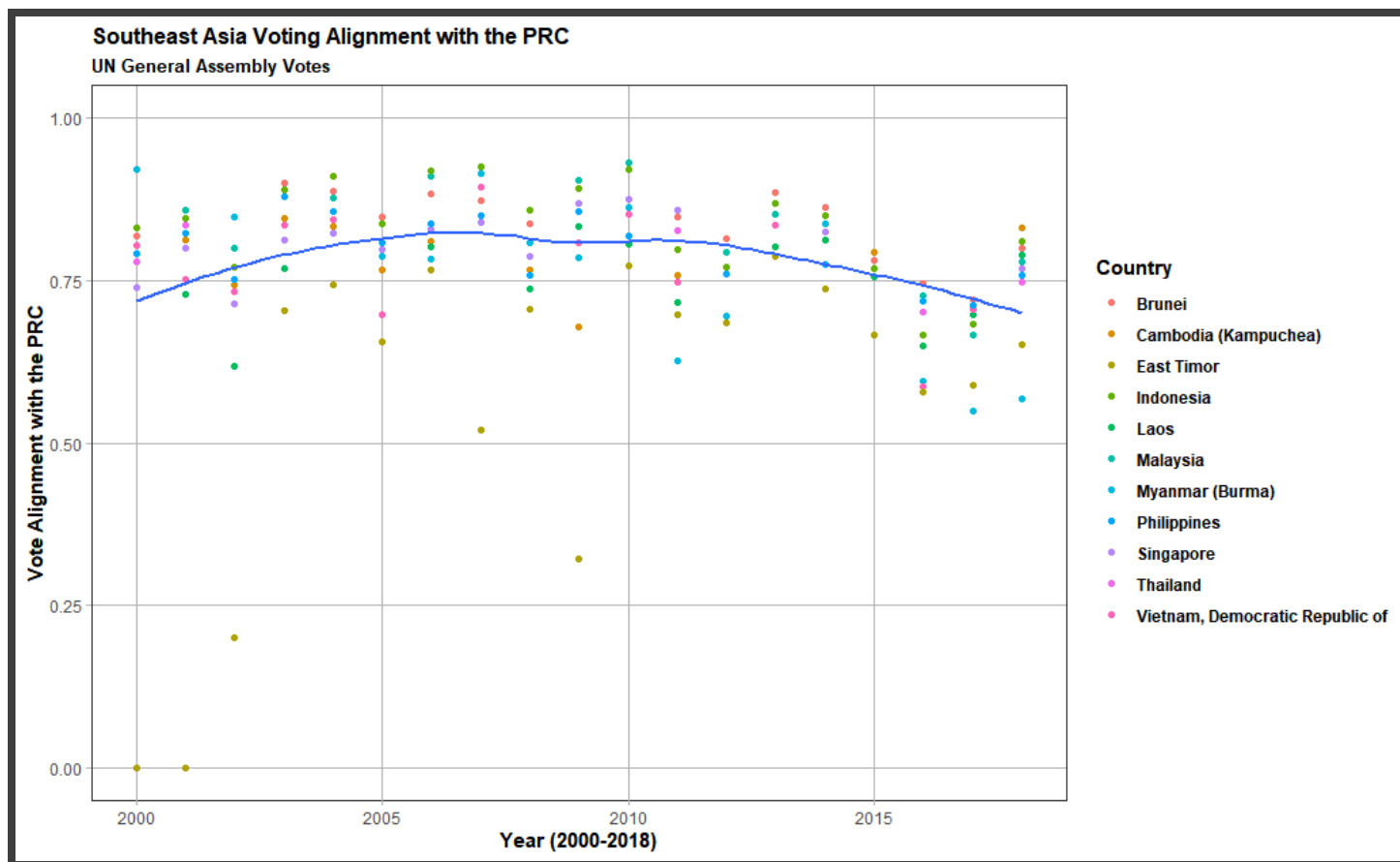


Figure 5. Southeast Asia Vote Score Alignment with the PRC from 2000–2018<sup>153</sup>

<sup>153</sup> Adapted from Voeten, Strezhnev, and Bailey, “United Nations General Assembly Voting Data.”



(1) **HYPOTHESIS 1: The PRC's influence will be greater in countries where it provides a higher amount of BRI investment.**

The results of the analysis revealed that the relationship between BRI investment and vote alignment is situational. Specifically, in the absence of Aid, Loans and Grants, BRI investment has a negative effect; however, when there is high investment in both the BRI and Aid, Loans and Grants, there is a strong alignment with the PRC. Figure 6 displays these significant findings.

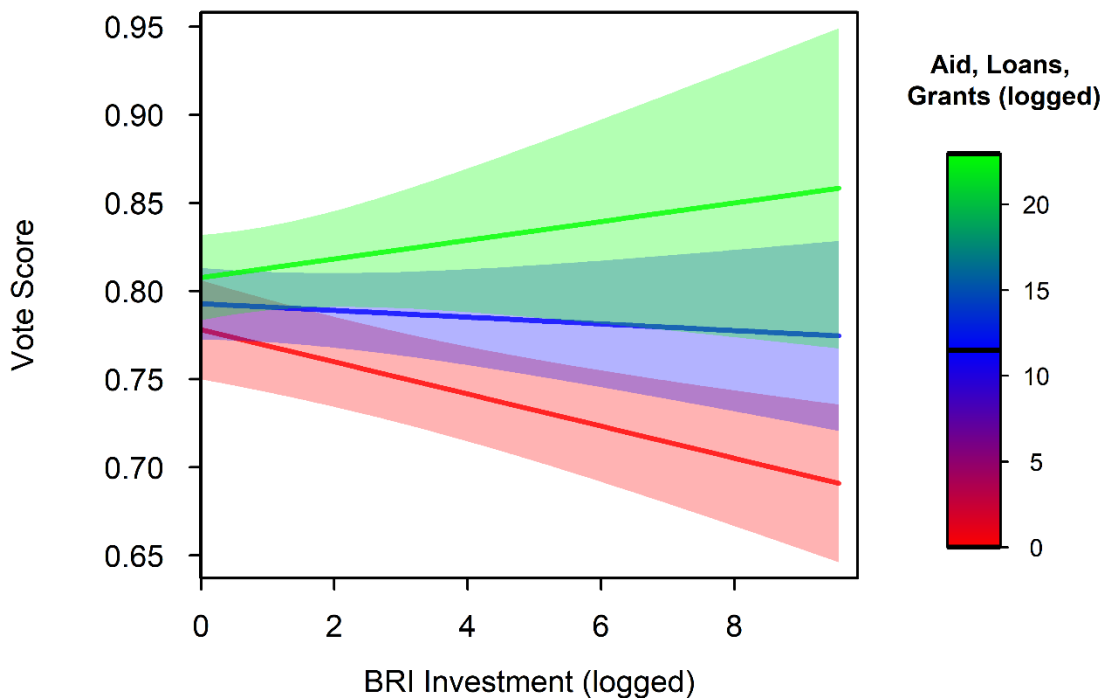


Figure 6. UNGA Vote Score by BRI Investment Displayed by Total of PRC Aid, Loans and Grants to Southeast Asia

Figure 6 is a graphic visualization of the interaction of UNGA vote score, BRI investment, and Aid, Loans and Grants. BRI investment [independent variable] is shown on the x-axis and the vote score [dependent variable] is shown on the y-axis (higher score is higher vote alignment). Finally, Aid, Loans and Grants [independent variable] is displayed in a range by color, in which the highest amount of investment is green, the median investment is blue, and the lowest range of investment is red. The first significant

finding is observed by the slope of the red line decreasing when there is high BRI investment and low levels of Aid, Loans and Grants. This demonstrates negative behavior change towards the PRC under these economic investment conditions. In contrast, the second finding shows that at the highest level of Aid, Loans and Grants, the slope of the green line increases as BRI investment increases. This demonstrates behavior change in favor of the PRC when there is high investment of both of these variables. When assessed as an individual variable; Aid, Loans and Grants was found to be insignificant, as shown in Table 1.

The first finding contradicts Hypothesis 1, which anticipated a positive relationship between vote score and high amounts of BRI investment. This finding may indicate that, although the BRI is the PRC's flagship initiative, and is being propelled with high levels of economic investment, it cannot produce favorable behavior changes on its own. In fact, it may create negative behavior towards the PRC.

The second finding partially supports Hypothesis 1, as it reveals an increased alignment with the PRC. For example, in 2013 vote alignment with the PRC increased in the following countries when they received high amounts of BRI investment and Aid, Loans and Grants: Myanmar (+0.14), Cambodia (+0.12), and Indonesia (+0.09).<sup>154</sup> Furthermore, the second finding may suggest that the PRC increases BRI investment, and Aid, Loans and Grants, in countries where it seeks more favor for its interests.

**(2) HYPOTHESIS 2: High levels of economic partnerships between the PRC and Southeast Asian countries will be associated with favorable support for PRC interests.**

Similar to the previous two findings, the interactions between vote score, trade balance, and GDP were also found to be situational. The statistical analysis of this relationship finds that vote alignment with the PRC is higher in poorer countries when the trade balance is in the PRC's favor; however, under the same condition in richer countries, alignment with the PRC decreases. Figure 7 displays these significant findings.

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<sup>154</sup> Vote Alignment Scores from 2008–2018 by Country Are Located in Table 3 of the Appendix. .

Figure 7 is a visual depiction of the interaction of UNGA vote score, trade balance and GDP. Trade balance [independent variable] is shown on the x-axis (as the number increases, the trade balance increases in the PRC's favor), and the vote score [dependent variable] is shown on the y-axis. GDP is shown as a range of colors with the highest level of GDP in green, the median level in blue and the lowest level in red. The third significant finding is shown by the slope of the red line increasing as the trade balance increases in the PRC's favor. This indicates that as the trade balance shifts in the PRC's favor, there is a stronger vote alignment between the PRC and countries with lower wealth. The fourth significant finding is shown as the slope of the green line decreases as the trade balance between richer countries and the PRC increases in the PRC's favor. This demonstrates that in wealthier countries, there is a negative relationship between vote alignment and trade balances that increase in favor of the PRC.

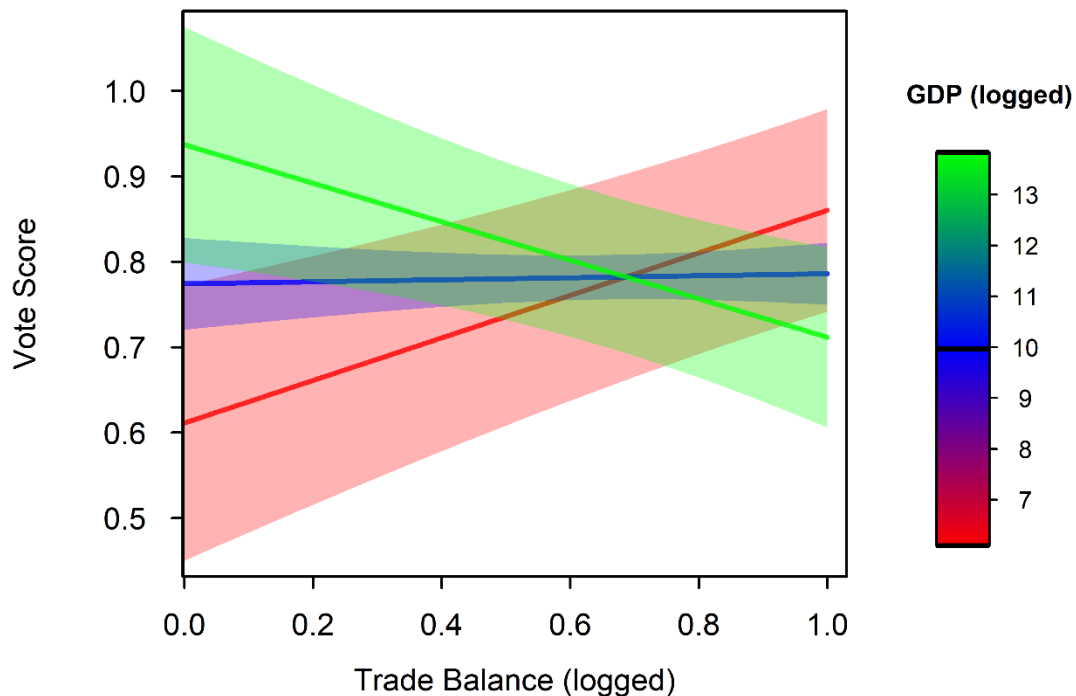


Figure 7. UNGA Vote Score by Trade Balance Displayed by Southeast Asian Countries' GDP

The third finding partially supports Hypothesis 2, as alignment with the PRC increased as the trade balance shifted in the PRC's favor. This may indicate that in less wealthy countries, economic relationships such as trade that largely support the domestic population, produce more alignment with the PRC. The fourth finding was in contradiction to Hypothesis 2 as demonstrated by wealthier countries' alignment with the PRC decreasing as the trade balance increased in the PRC's favor. This may indicate that the PRC has less influence over wealthier countries, as they may have the fortitude to not align with the PRC under certain conditions.

**(3) HYPOTHESIS 3: Southeast Asian Countries will attempt to balance the PRC's influence when economic relationships are in the PRC's favor.**

The research findings do not support Hypothesis 3. The interactions between vote alignment and economic investment are situational, yet still more characteristic of hedging than balancing. Despite the PRC's expansive economic advantage, countries within the region increased economic partnerships with the PRC throughout the period of the investigation. The trade balance appears to have elicited the strongest behavioral change. However, even when wealthier countries decreased their vote alignment with the PRC, they continued to increase trade relationships that clearly gave the PRC an asymmetric economic advantage over them. Additionally, in a bandwagoning fashion, poorer countries increased their alignment with the PRC in concert with the expanding trade balance. To a lesser, but still significant, extent, alignment with the PRC increased when countries received high amounts of BRI investment, and aid, loans, and grants. However, high BRI investment produced a significant negative effect on vote alignment when not combined with high amounts of Aid, Loans and Grants. The next chapter will discuss the broader implications of the results of this research and recommendations for future research.

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## V. CONCLUSION

The significance of this research is that the perceived estimates of the PRC's economic influence within Southeast Asia are conditional and may be overestimated. Although the nations within the region have increased their cooperation and economic ties with the PRC, they have primarily adopted a strategy of hedging. Countries within Southeast Asia are attempting to gain maximum benefits from multiple countries, without fully aligning with any specific country in order to maintain their autonomy and avoid being caught in a conflict with a stronger power. While Southeast Asian countries are continuing to economically collaborate with the PRC, this research suggest that the PRC converting its economic influence into measurable behavior changes is situational, and largely based on the wealth and financial stability of the country receiving support.

Over the last several years, there has been a lot of speculation concerning the influence of the BRI that suggests it will elevate the status and influence of the PRC. In this study, the effect of BRI investment was shown to be dependent upon being combined with other forms of economic investment. There was specifically a negative correlation with increased BRI investment and low investment in Aid, Loans and Grants. This finding appears to be consistent with the trend of ASEAN countries reviewing the profitability and debt associated with BRI projects such as Malaysia's renegotiation of the East Coast Rail Link, and the halt of a rail line project in Thailand due to concerns about loan interest rates.<sup>155</sup> These factors suggest that some nations within the region are attempting to maximize their economic benefits from the PRC but cautiously trying to avoid a debt trap. On the opposite end of the spectrum, when there was high investment in both the BRI and Aid, Loans and Grants, there was a strong alignment with the PRC. In this case, countries that were more financially dependent on the PRC consistently aligned with it.

Surprisingly, FDI was not a significant factor when assessing the voting alignment of Southeast Asian nations with the PRC; however, as expected, trade balance was significant. The behavior of nations with smaller economies appear to be positively

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<sup>155</sup> Shoji, "China's Formation of the Regional Order," 46.

influenced by the PRC the most when the trade balance is in the PRC's favor. In contrast, in nations with larger economies, a negative relationship is shown when the trade balance is in the PRC's favor. This interaction may indicate that countries with larger economies are better positioned to reap selective benefits of a trade relationship with the PRC without completely aligning their interests. In that context, it appears that these countries are displaying characteristics of hedging by cooperating when the PRC clearly has the advantage, and resisting PRC influence in other areas that are less consequential. In Kuik's description of hedging, a country displaying concurrent behavior towards a stronger power that is "contradictory and counteracting" is potentially maintaining a safe position by having its opposing actions negate each other.<sup>156</sup> Considering that all of the countries in Southeast Asia are in asymmetric relationships with the PRC, a middle position that maximizes their benefits, and provides avenues to mitigate risk may continue to be the most attractive strategy.

The majority of countries in the region have chosen a strategy of hedging over balancing, even though Vietnam, the Philippines and Malaysia are engaged in territorial disputes with the PRC that have been characterized by revisionist and aggressive behavior.<sup>157</sup> At present, this strategy appears to be necessary as the countries within the region are carefully attempting to balance a significant economic relationship that supports many of their domestic priorities. This is evident in the Asian Development Bank's estimate that the Asia-Pacific region will need \$1.7 trillion from 2016 to 2030 for infrastructure to support the growth in the region.<sup>158</sup> Based on reasons such as this, it is unlikely that economic partnerships with the PRC will significantly decrease.<sup>159</sup>

Despite the countries within the region having significant economic relationships with the PRC, the United States has largely been able to maintain influence over its vital security interests within Southeast Asia. In my opinion, Southeast Asian countries'

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<sup>156</sup> Kuik, "How Do Weaker States Hedge?" 505"

<sup>157</sup> Murphy, "Great Power Rivalries," 174.

<sup>158</sup> Kong, "The Belt and Road Initiative in Southeast Asia," 38.

<sup>159</sup> Chan, "Singapore-China Connectivity," 37.

diversification of economic relationships with the PRC does not necessarily equate to a net loss for the United States. Based on this research, there are negative trends associated with the PRC's economic investment that may influence countries within Southeast Asia to continue to form strong relationships with countries other than the PRC. A strong presence of multiple major powers within the region could reduce the PRC's likelihood of reaching regional hegemony. Furthermore, the countries within Southeast Asia are fairly adept at managing relationships between multiple great powers, and the majority of them will avoid directly aligning with any one major power unless their national security is threatened. Pillsbury's assertion that the PRC has a hundred-year plan may be correct; however, based on the analysis conducted in this study, the PRC's plan appears to be flawed and may not produce the intended outcome.

Due to previous inconsistencies, going forward the United States should demonstrate that it is a reliable security partner, and supportive of economic stability within the region. The United States does not have to be the largest economic partner to maintain the status quo regional order. However, as countries within the region determine which major powers to align with or defy on certain issues, the United States is a more attractive alternative to the PRC when it is a reliable security partner, and advocate for shared interest in multilateral institutions.

As this research focused on the influence of economic investment on measurable behavior change in Southeast Asia, future research can identify if these same investments influence behavior changes in other regions. This will help determine if the effects of the PRC's economic investment found in this research are applicable outside of Southeast Asia. Further research in this area may provide insight into trends of behavior that will further illuminate the influence of the PRC's economic investment.



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## APPENDIX A. PRC IMPORTS AND EXPORTS WITH SOUTHEAST ASIA BY COUNTRY

Trade Flow: Exports from PRC and Imports to PRC<sup>160</sup>

Country	Trade flow	2013	2014	2015	2016	2017	2018
Brunei	Exports	1,703,776,234	1,746,814,598	1,407,408,747	510,852,391	637,592,774	1,597,616,589
	Imports	89,803,505	189,717,197	101,156,073	221,546,472	351,809,713	247,640,850
Cambodia	Exports	3,409,507,478	3,274,737,955	3,763,390,571	3,928,684,744	4,783,198,403	6,022,950,063
	Imports	363,634,853	482,914,653	666,595,118	830,513,470	1,007,581,678	1,377,337,531
Indonesia	Exports	36,930,489,821	39,059,605,524	34,341,964,720	32,117,494,749	34,757,384,544	43,246,345,320
	Imports	31,424,278,600	24,485,246,982	19,886,194,033	21,414,036,371	28,574,305,510	34,154,685,183
Laos	Exports	1,722,576,814	1,839,475,080	1,225,758,347	986,966,609	1,419,351,176	1,455,739,477
	Imports	1,010,079,275	1,777,883,187	1,547,337,273	1,359,607,754	1,604,997,325	2,029,602,507
Malaysia	Exports	45,930,593,403	46,353,387,874	43,980,386,746	37,660,167,391	41,712,282,701	45,848,411,856
	Imports	60,153,183,872	55,652,242,622	53,277,330,687	49,269,636,528	54,426,139,443	63,321,953,929
Myanmar	Exports	7,338,688,821	9,367,646,907	9,650,911,459	8,187,651,272	8,948,464,266	10,567,874,244
	Imports	2,856,866,581	15,601,279,451	5,449,295,046	4,097,708,683	4,526,347,998	4,718,842,085
Philippines	Exports	19,868,125,345	23,473,577,223	26,670,791,210	29,836,566,657	32,065,932,447	35,111,186,384
	Imports	18,181,829,139	20,984,132,158	18,965,654,304	17,395,891,173	19,239,177,209	20,595,680,299
Singapore	Exports	45,831,864,575	48,911,174,763	51,942,439,609	44,495,953,063	45,019,300,478	49,817,841,244
	Imports	30,064,514,713	30,828,733,314	27,580,763,340	26,014,248,910	34,249,623,689	33,638,315,735
Thailand	Exports	32,717,903,843	34,289,227,963	38,290,804,015	37,182,731,174	38,541,726,588	42,974,255,961
	Imports	38,522,680,528	38,331,928,398	37,168,745,238	38,532,342,814	41,596,082,905	44,918,670,224
Timor-Leste	Exports	47,386,367	60,341,649	104,529,645	164,272,800	132,596,622	132,781,191
	Imports	397,037	99,850	724,858	291,606	1,573,168	3,014,403
Vietnam	Exports	48,586,298,201	63,730,014,143	66,017,019,778	61,094,096,781	71,617,248,156	84,015,798,650
	Imports	16,891,892,668	19,906,397,835	29,831,745,312	37,171,603,826	50,374,616,976	64,087,359,833

<sup>160</sup> Source: “China, Imports and Exports, All Commodities,” TrendEconomy, November 15, 2020, <https://trendeconomy.com/query/0ccdd5149db94ef990045ec170803843>.

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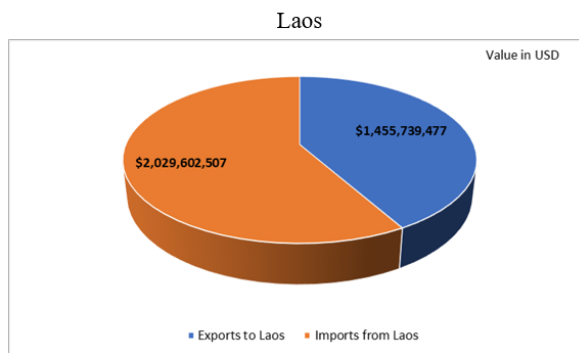
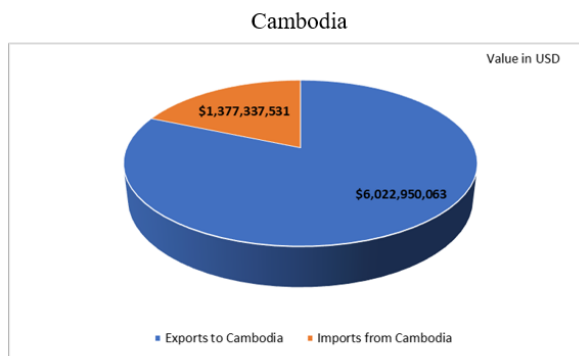
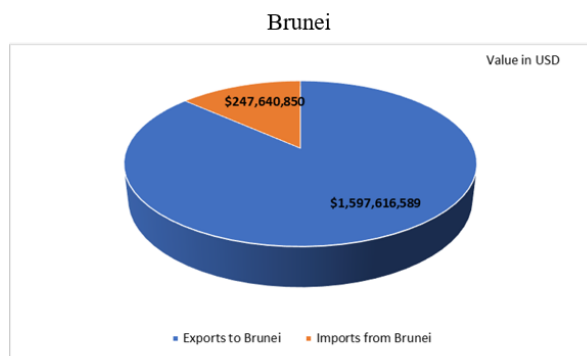
## APPENDIX B. SOUTHEAST ASIA VOTE SCORE ALIGNMENT WITH PRC BY COUNTRY

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Myanmar</b>	0.8081	0.7857	0.8636	0.6263	0.6957	0.8361	0.8375	0.7821	0.5965	0.5504	0.5684
<b>Thailand</b>	0.7576	0.8690	0.8523	0.8283	0.7717	0.8361	0.8125	0.7564	0.7018	0.6977	0.7474
<b>Cambodia</b>	0.7677	0.6786	0.8523	0.7576	0.7609	0.8852	0.8125	0.7949	0.7193	0.7054	0.8316
<b>Laos</b>	0.7374	0.8333	0.8068	0.7172	0.8152	0.8033	0.8125	0.7564	0.6491	0.6977	0.7895
<b>Vietnam</b>	0.7576	0.8095	0.8523	0.7475	0.7935	0.8361	0.8250	0.7692	0.5877	0.7054	0.8105
<b>Malaysia</b>	0.8384	0.9048	0.9318	0.7980	0.7935	0.8525	0.8500	0.7692	0.7281	0.6667	0.7789
<b>Singapore</b>	0.7879	0.8690	0.8750	0.8586	0.7717	0.8852	0.8250	0.7692	0.7193	0.7209	0.7684
<b>Brunei</b>	0.8384	0.8929	0.9205	0.8485	0.8152	0.8852	0.8625	0.7821	0.7456	0.7209	0.8000
<b>Philippines</b>	0.7576	0.8571	0.8182	0.7980	0.7609	0.8689	0.7750	0.7692	0.7193	0.7132	0.7579
<b>Indonesia</b>	0.8586	0.8929	0.9205	0.7980	0.7717	0.8689	0.8500	0.7692	0.6667	0.6822	0.8105
<b>East Timor</b>	0.7071	0.3214	0.7727	0.6970	0.6848	0.7869	0.7375	0.6667	0.5789	0.5891	0.6526

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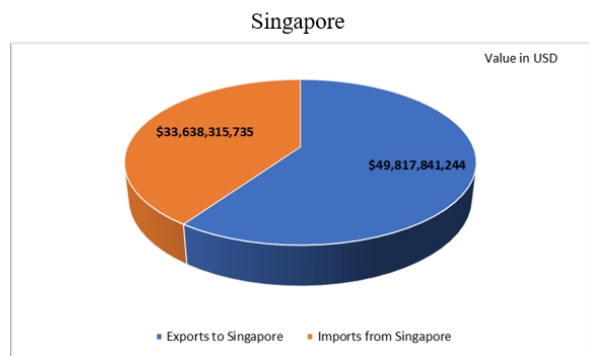
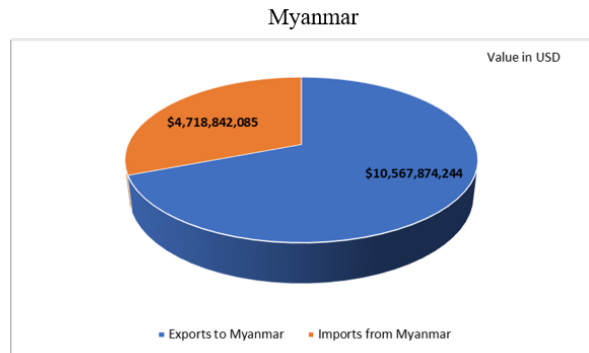
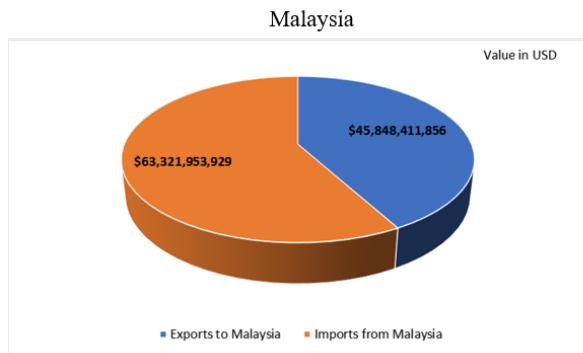
## APPENDIX C. PRC TRADE BALANCE WITH SOUTHEAST ASIA BY COUNTRY FOR 2018

Brunei, Cambodia, Indonesia, Laos<sup>161</sup>



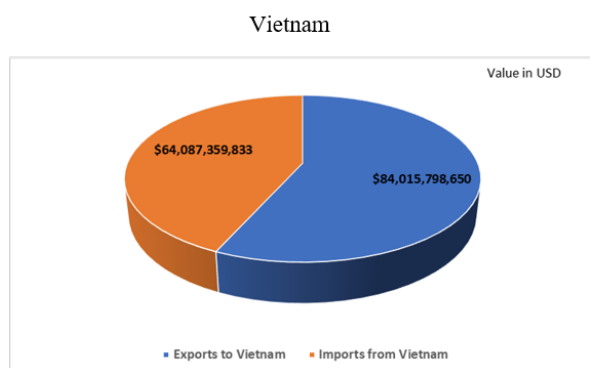
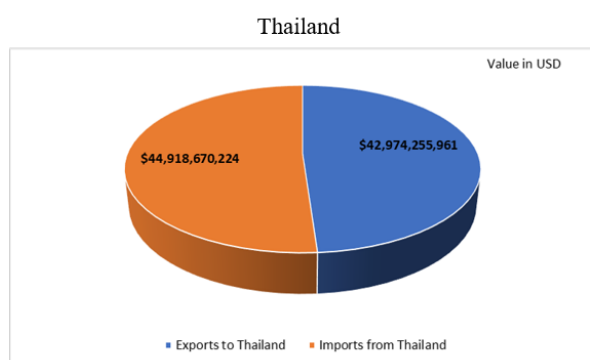
<sup>161</sup> Adapted from “China, Imports and Exports, All Commodities.”

## Malaysia, Myanmar, Philippines, Singapore<sup>162</sup>



<sup>162</sup> Adapted from “China, Imports and Exports, All Commodities.”

## Thailand, Timor-Leste, Vietnam<sup>163</sup>



<sup>163</sup> Adapted from “China, Imports and Exports, All Commodities.”



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